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**The EU labour market crisis and  
recovery policies. The Bulgarian  
response to the crisis**

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## INTRODUCTION

The global financial crisis considerably worsened the conditions, within which the labour markets of the first decade of the XXI century have been developing. The crisis disrupted the relative balance on the stock markets, affected key structure-determining industries, led to the rapid shrinking of the volumes of traded goods and restrained investment flows.

The decrease in the size of the investments, the trade and the real economy affected the labour markets as it considerably decreased labour demand and stimulated the rapid increase in unemployment. Analysts characterize the sizes of the negative impacts as the most substantial since World War II.

On a worldwide scale, the effects of the crisis in 2008 include the loss of working places for 6% of the employed (given a 5.7% share in 2007). Youth unemployment increases by 0.4%, with which the number of unemployed youngsters increases to 76 million.<sup>1</sup> The crisis affects the labour markets in the different regions of the world to a differing degree. For example, the crisis' impact over the US labour market is very strong, but the recovery from the crisis was evidenced earlier. Regardless of that, until this point, the recovery process has not been sustainable since unemployment registers a certain increase. In the USA, unemployment decreases from 138 to 129.8 million during the period December 2007 – March 2010. The crisis leads to the loss of 8.2 million working places, while unemployment rises considerably in comparison to the comparatively low level of 5% registered in December 2007.<sup>2</sup> In August 2009, the unemployment level there reaches 9.6% (compared to 6.2% in August 2008), while in October 2009 it once again rises and reaches 10.1%. In November 2010 the unemployment level decreases to 9.6%. These data do not, however, reflect the complete picture of the exceptionally unfavorable impact of the global crisis over the American labour market. Researchers draw attention to the fact that 8.5 million

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<sup>1</sup> Global Employment Trends. January 2009, ILO, 2009, p.7

[http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms\\_101461.pdf](http://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/publication/wcms_101461.pdf)

<sup>2</sup> Barclay, B. The Scope and Nature of the Jobs Problem. <http://talkingunion.worldpress.com/2010/09/08>.

citizens, who have been employed part-time as well as 2.6 million people within working age do not participate in the labour market. The high share of prolonged unemployment (45%) in total unemployment (June 2010)<sup>3</sup> adds to those problems.

In Japan, the global crisis becomes evident in the middle of 2007 and contributes to a decrease in GDP (gross domestic product) with 1.2% in 2008 and with 5.2% in 2009. On an annual basis, the country's exports decrease by 25.7% in 2009. The unemployment level increases from 4.1% in August 2008 to 5.7% in July 2009 and to 5.1% in November 2010.<sup>4</sup>

In the beginning of the crisis the International Labour Organization (ILO) forecasted an increase in unemployment by 20 million people. That meant that on a worldwide scale the number of the unemployed would reach 210 million by the end of 2009. The development of the crisis, however, changes the forecasts constantly whilst reflecting the growing pessimism. In 2009, forecasts about the increase in female unemployment envisioned levels of 6.5 to 7.4% (6.1 to 7.0% for males, respectively) as well as a decrease in labour remuneration fluctuations as a result of the crisis and the increase in the share of the working poor to 45% of the employed on a worldwide scale.<sup>5</sup> Particularly troublesome were the expectations regarding youth unemployment. The report of the ILO on the ILO Global Employment Trends for Youth 2010 draws attention to the fact that out of 620 million economically active youngsters at the age of 15 to 24 years old, 81 million were unemployed by the end of 2009. That amounts to an additional 7.8 million unemployed youngsters in comparison to 2007. The level of youth unemployment rises from 11.9% in 2007 to 13.0% in 2009.<sup>6</sup>

The European labour markets also fall under the influence of the crisis, which becomes most sharply pronounced in 2008 as well as during the first half of 2009.

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<sup>3</sup> Ibid.

<sup>4</sup> HRD response to the economic crisis & summary of the Japan case study, [http://hrd.apec.org/index.php/HRD\\_Responses\\_to\\_the\\_Economic\\_Crisis:\\_Summary\\_of\\_the\\_Japan\\_Case\\_Study](http://hrd.apec.org/index.php/HRD_Responses_to_the_Economic_Crisis:_Summary_of_the_Japan_Case_Study)

<sup>5</sup> Given a daily poverty threshold for the employed and their families of 2 USD per day.

<sup>6</sup> World economic crisis has spurred a record increase in youth unemployment, [http://www.ilo.org/global/about-the-ilo/press-and-media-centre/press-releases/WCMS\\_143356/lang--en/index.htm](http://www.ilo.org/global/about-the-ilo/press-and-media-centre/press-releases/WCMS_143356/lang--en/index.htm)

Regardless of the fact that a certain economic recovery is evidenced during that period (evidenced by a 1.0% GDP growth during the second quarter of 2010 in comparison to the preceding one), analysts characterize the achieved level of recovery as overly feeble.<sup>7</sup> The employment dynamic is still very low, while employment amounts to 221.2 million people (during the third quarter of 2010) and is still lower by 5.7 million people (second quarter of 2008) than the pre-crisis level. Unemployment reaches 23.2 million people, while its level is 9.6% during the third quarter of 2010, which is considerably higher than the level evidenced during the spring of 2008 – 6.7%.<sup>8</sup>

The world's economic and political elite countered the challenges presented by the crisis with a series of measures and programs. The Director General of the International Labour Organization points out that “We need prompt and coordinated government actions to avert a social crisis that could be severe, long-lasting and global<sup>9</sup>”. In 2008 and 2009, the American Congress approved several sets of anti-crisis measures. The Japanese authorities launched two sets of measures: one in April 2009 (entitled the Aso Administration) and a second one in December 2009 (entitled the Hatoyama Administration).<sup>10</sup> The European Union undertook a series of actions aimed at supporting the member-countries in their efforts to maintain employment levels and not allow for a high level of unemployment as well as with regard to their attempts to develop their own national anti-crisis programs.

The crisis, which encompassed the markets in the end of the first decade of 2010, is characterized as the deepest recession following the Great Depression. Its effects on labour markets are particularly unfavorable and that is why the policies, which are being adapted as a means to decrease its impacts and eventually overcome the crisis, are of particular importance. Hence, the goal of the present study is to (a) analyze the

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<sup>7</sup> EU Employment Situation and Social Outlook. – Monthly Monitor, December 2010, European Commission – Employment, Social Affairs and Equal Opportunities, p. 3.

<sup>8</sup> Ibid, p. 3.

<sup>9</sup> [http://www.ilo.org/global/about-the-ilo/press-and-media-centre/press-releases/lang--en/WCMS\\_099529](http://www.ilo.org/global/about-the-ilo/press-and-media-centre/press-releases/lang--en/WCMS_099529)

<sup>10</sup> Recent performance of the economy and labour market until the global recession.

[http://hrd.apec.org./index.php/HRD\\_Responses](http://hrd.apec.org./index.php/HRD_Responses)

scope of the crisis on the European Union's labour markets and on the Bulgarian one in particular, and (b) to trace the implemented anti-crisis measures and evaluate their effectiveness from the standpoint of the results achieved as well as to analyze the adequateness, the timeliness and the effectiveness of the anti-crisis measures in both the short- and long-term.

## **CHAPTER ONE. SIZE AND SCOPE OF THE EMPLOYMENT CRISIS ON A EUROPEAN SCALE**

The crisis' negative impact over labour on a worldwide scale and in Europe in particular causes both a substantial decrease in employment levels and an increase in unemployment; it additionally increases the structural disparities, which reflect the instability with regard to employment of specific groups on the labour market – namely, youngsters, people of age and workers with a low qualification level. In that sense, the impact of the current crisis over the labour markets is particularly sizable in its quantitative dimensions, but is also powerfully disruptive with regard to the adequate level of balance between those dimensions.

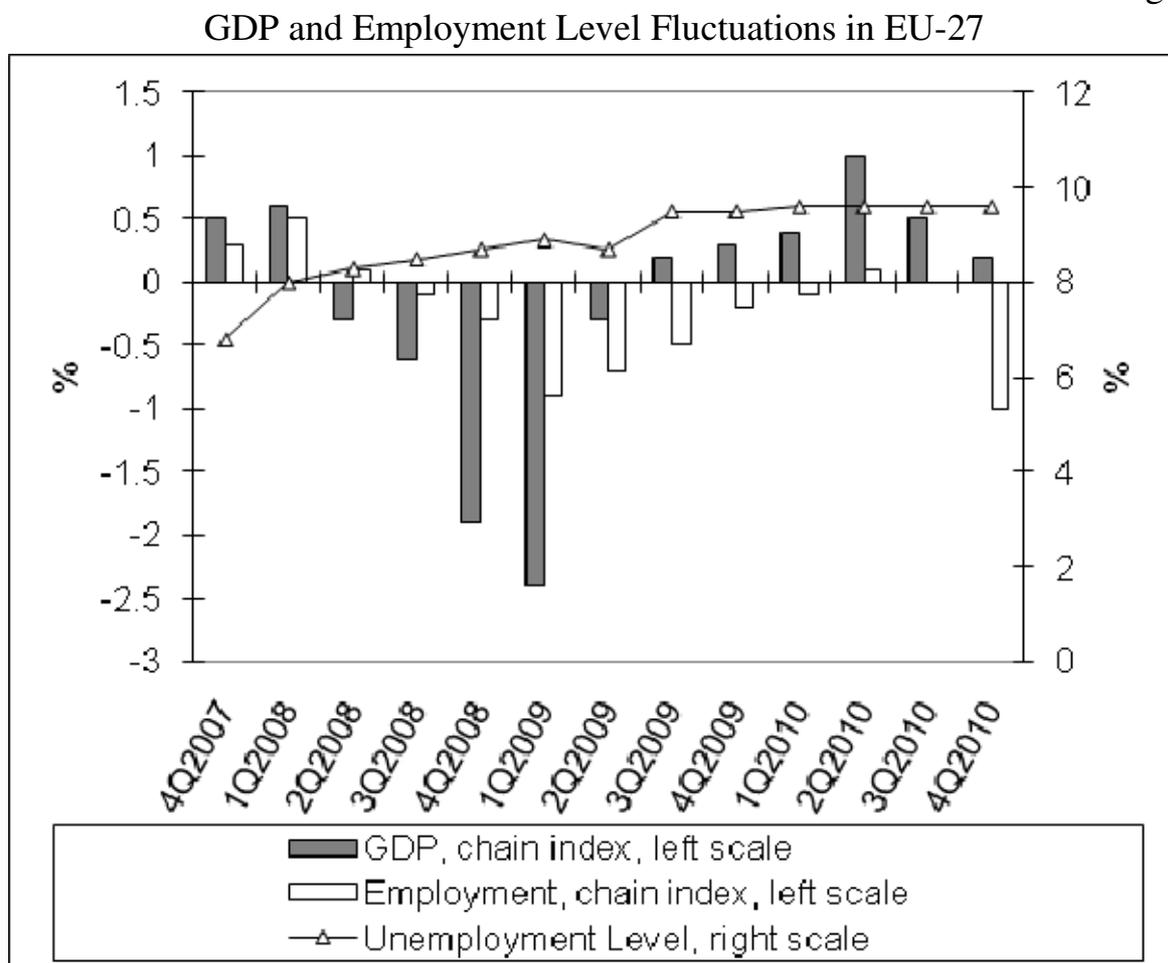
### **1. EU Labour Markets and Economic Crisis**

As a result of the crisis the GDP of the European Union (EU-27) decreases significantly. On an annual basis, the decrease during the fourth quarter of 2008 is minus 1.9; during the first and second quarter it reaches minus 5.1; afterwards a certain slowing down of the rate of decrease is evidenced – minus 4.3 during the third and minus 2.3 during the fourth quarter, respectively. The tendency that characterizes the fluctuation of GDP is reversed during the first quarter of 2010 when growth of 0.5% on an annual basis is registered. The shrinking of the volume of production and of the services led to a decrease both in the number of the employed and of the hours worked and hence to an increase in unemployment.

### 1.1. Changes in the Level and Dynamic of Employment

On a European scale, the crisis' impact may be quantified by a loss of more than 5 million working places in the end of the first quarter of 2009, which translates into a decrease in employment by 0.9% on a quarterly basis and a 1.3% decrease on an annual basis.<sup>11</sup> During the third quarter of 2010 the number of the employed reached 221.2 million people, which is 46 000 less in comparison to the preceding year and 5.7 million people less in comparison to the second quarter of 2008. This is the largest collapse in employment following the period of World War II.

Figure 1



Source: Based on data from Quarterly EU LM Review, Summer 2009 and LFS 4Q 2010.

The comparison between the rates of change of GDP and those of the employment level reflects one peculiarity of the current crisis – namely, the very rapid transfer of

<sup>11</sup> Data from Eurostat – Quarterly EU Labour Market Review, Summer, 2009.

the effects from the decrease in GDP to the demand for labour/employment. In past periods the effects that the changes in GDP had on employment were characterized by a lag of about one year, whereas now those impacts are evidenced within quarters. This fact underlines the severity of the crisis in the EU, which becomes particularly strongly pronounced by the end of 2008 and the beginning of 2009 (see Figure 1).

The shrinking of employment and the decrease in labour demand translate into a rapid increase in unemployment. The unemployment level rises from 8.7% during the fourth quarter of 2008 to 9.4% in the first, 9.5% in the second, 9.6% in the third and 9.7% in the fourth quarter of 2009. By the end of December 2010 the level of unemployment is 9.6%. The total number of the unemployed in December 2008 is 17,384 million; in December 2009 there are 4,628 million more unemployed people (their total number is 23,012 million), out of which 15,165 million people from the Eurozone. In December 2010 the unemployed people were 22,574 million and the unemployment level stabilized at 9.6%.<sup>12</sup>

### *1.2. The Crisis and the Demand for Labour*

The decrease in employment, as a reaction to the crisis shocks in the economy, is characterized by a different level of intensity in the individual countries of the EU. The countries, where the decrease in employment is most substantial (first quarter of 2009 compared to the first quarter of 2008) are as follows: Latvia (-8.2), Ireland (-7.5), Estonia (-7.2), Spain (-6.4), Lithuania (-5.1) and Hungary (-3.0). The countries, in which the decrease in employment during the specified period falls within the 1-2% range, are: Germany (-1.8), Portugal (-1.6), Poland (-1.4), Finland (-1.1), Sweden (-1.2), England (-1.1). Bulgaria falls within the group of the countries where the decrease in employment is below 1% (-0.3) alongside the Czech Republic (-0.7), Austria (-0.4), Slovakia (-0.4), etc.<sup>13</sup>

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<sup>12</sup> Eurostat. News release, Euro indicators 139/2009, 31 May 2011.

<sup>13</sup> Quarterly EU LM Review, Summer 2009, EU, p. 4.

The dynamic of the transfer of the negative effects evidenced on the commodity and financial markets towards the labour markets and more specifically towards the demand for labour can be traced in a more detailed fashion via the indicators working places opened and working places closed. The information regarding the fluctuations of these indicators is presented by the monthly monitoring reports of the European Commission.

Since in 2009 the demand for labour stabilizes at a level, which is lower than that evidenced in the preceding year, it can be concluded that the trough of the demand for labour has been reached. On the other hand, however, the evidenced economic revival is not sufficiently sizable to stimulate a more dynamic demand for labour. The tracing of the dynamic of vacant working places via the vacant working places coefficient evidences stagnation at a level of 1.4% in 2009 and 1.5% in 2010 on a quarterly basis, respectively. On an annual basis, however, this level is 0.7% lower.<sup>14</sup>

Considering individual countries – for example, England – it becomes evident that the number of vacant working places in the middle of 2009 is 434000, but this is 163 000 or 27% less on an annual basis. The data cited are based on a study of the vacant working places conducted by England's national statistics. Parallel information from the so-called Jobcenter Plus (labour offices) indicates a monthly average dynamic of the announced open working places of 290 000 in the period July-September 2009. In Germany, the Federal Labour Agency reports that in October 2009 a reversal in the decrease of the demand for labour is evidenced and a stabilization of that indicator at a comparatively low level exists. The announced open working places amount to 479 000 in October, which is 92 000 or 16% lower on an annual basis.

The dynamic of the demand for labour, estimated on the basis of the demand for labour as declared by the temporary employment agencies, is one of the indicators used for the evaluation of the tendencies of the labour demand cycle. According to report of the

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<sup>14</sup> EU Employment Situation and Social Outlook. – Monthly monitor, November 2009, p. 7.

International Labour Organization, the increase in labour demand from those agencies is a trustworthy signal of the end of the crisis.<sup>15</sup> The decrease in the number of hours worked during the period July-October 2009 as reported by temporary employment agencies indicates that a reversal with regard to labour demand has not yet been achieved. According to data reported by those agencies, on an annual basis, the man-hours worked are 22-23% less in Belgium, Spain and the Netherlands, 25% less in France and around 35% less in Italy.<sup>16</sup> Meanwhile, however, there are countries, for example England, where a tendency of increase in the demand for labour is reported by the temporary employment agencies; this fact provides grounds for the formulation of more optimistic forecasts about the demand for labour.

These more optimistic signals are affirmed in 2010. The November monthly monitoring indicates that since the spring of 2009 the business has been improving its expectations regarding the demand for labour and the employment in most of the sectors of the economy. Regardless of that, however, the stability of that upward tendency is confirmed solely within the industrial sector, while in construction the demand for labour decreases and within the service sector the evidenced dynamic is very low.<sup>17</sup> The expectations of the business as well as the statistical data show stabilization and an increase in labour demand. The business in France, Germany, Italy, England and the USA declares stable plans for increase in the demand for labour up to a level, which exceeds that of the preceding year. The highest demand for labour is anticipated to be registered in Germany and Sweden, while the lowest one is expected to be evidenced in Greece and the Czech Republic. The vacant working places index has since the beginning of 2010 stabilized at a level of 1.5% and is hence 0.2 percentage points higher on an annual basis.

The announced working places within the individual countries vary in number and tendency. Germany is the country with the highest demand for labour (registering a 2.6% increase on an annual basis during the third quarter of 2010) and the vacant

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<sup>15</sup> ILO publication, website: [www.ilo.org/public/english/dialogue/sector/](http://www.ilo.org/public/english/dialogue/sector/)

<sup>16</sup> Ibid, p. 8.

<sup>17</sup> EU Employment Situation and Social Outlook. – Monthly Monitor, November 2010, p. 9.

working places are 979 000 more than during the preceding year. In Spain the vacant working places have on an annual basis doubled during the third quarter of 2010. In England, a decrease in the number of vacant working places has been evidenced during the third quarter (in comparison to the second quarter), but on an annual basis their number remains higher. The temporary employment agencies make a considerable contribution towards the increase in labour demand – almost one third of all announced vacant working places on the primary labour market are associated with them.

It can be concluded that there is evidence, confirmed by different sources of information, of an on-going process of recovery of labour demand and the number of announced vacant working places. However, their level is still insufficient and the pre-crisis level of employment is not achieved.

### *1.3. The Crisis and the Restructuring of Employment*

The crisis contributes to a restructuring of employment via a restructuring of the economy. The crisis speeds up the process relating to the closure of ineffective working places within sectors and branches that are not sufficiently competitive and stimulates the opening of new, more highly technological and competitive working places. In that sense, the crisis stimulates the development of economic progress. Hence, a question of considerable importance is to what extent the undertaken anti-crisis measures aimed at preserving the working places and the levels of employment serve to actually slow down the natural process of dying out of non-competitive lines of production and working places therein.

What is characteristic of the beginning of the crisis, since the middle of 2007 and mostly in 2008, is that the number of the working places closed exceeds the number of working places opened. The restructuring, through the closure of working places, gradually decreases, but in 2009 once again the number of closed working places exceeds the number of the newly opened ones, while the proportion between them decreases.

Alongside this dynamic of the opened and closed working places, it is important to trace the process of restructuring at sectoral level as a means to discern the lines of production and commercial activity, which have a potential for development. It is also essential to analyze the changes in the forms of employment so as to stimulate the development of those ones, which would make up the backbone of labour markets in the near and more distant future.

The data provided by the European Restructuring Monitoring (ERM) allows for the tracing of the restructuring dynamic from the standpoint of the labour market at the level of the individual fields and industrial sectors. The crisis increases the intensity of economic restructuring, which can be traced via the fluctuations in the proportion of the opened and closed working places. The data indicate that during the period September 2008-September 2009 the proportion between the number of working places closed and the number of working places opened is 3:1. The newly opened working places during that period are mostly in commerce (84 000 working places), the industry (65 000 working places), hotels and restaurants and others.

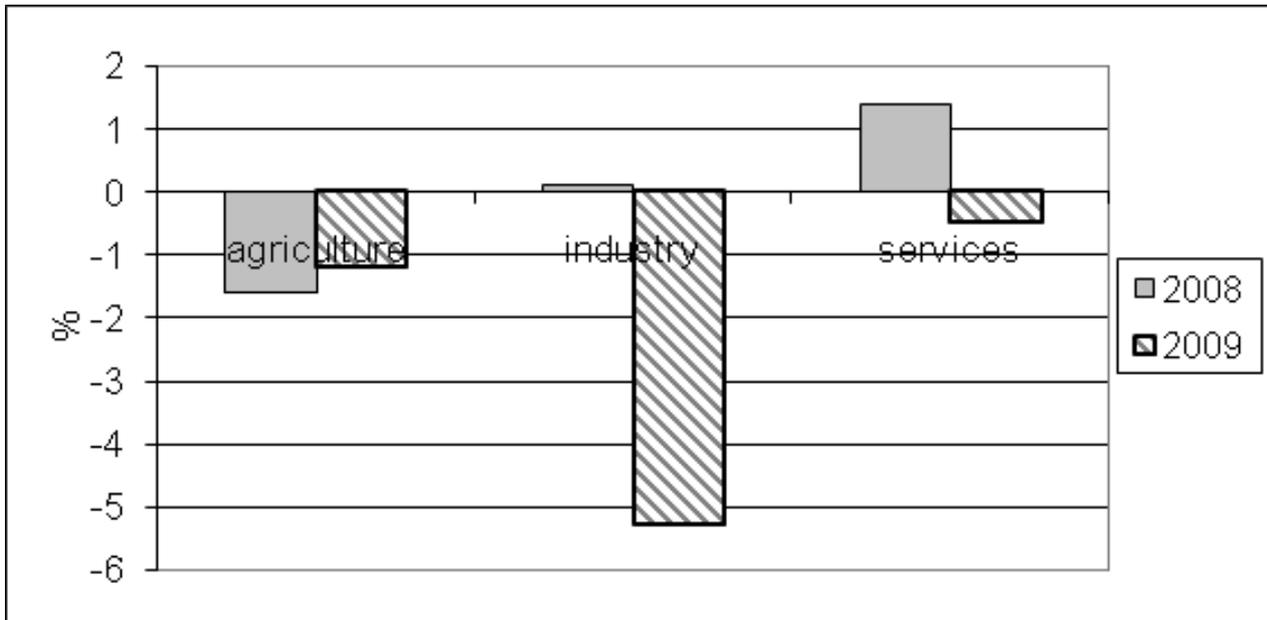
The examination of the sectoral changes provides evidence that the industrial sector has been most severely affected by the crisis. In September 2008, the number of working places closed in the industrial sector is 414 thousand, which amounts to more than half of all working places closed. As a result of that, employment in the industry, which increased by 0.2% in comparison to the preceding, registers a 5.3% decrease in 2009. This fact indicates that one of the specifics of the restructuring of employment is the drastic decrease of employment in the industry. Other sectors, within which working places are more intensively closed, are the transport, the communications, the public administration and the trade.

The decrease in the employment within the agricultural sector during the first year of the crisis follows the inertia from the preceding period of decrease in the number of people employed therein. During the crisis, however, a slowing down of the rate of decrease is evidenced – from 1.6 in 2008 to 1.2 in 2009. In the service sector, the

crisis reverses the trend of increase of employment characteristic of the pre-crisis period – from 1.4% in 2008 to -0.5% in 2009.

Figure 2

Percentage Change in Employment Level in EU-27 by Main Economic Sectors during the Period 2008-2009



Source: Compendium 2010, tables 17 M2, EU.

The closure of working places is linked to bankruptcies or other forms of restructuring, such as internal restructuring, mergers, establishment of off-shore companies or delocalization of services and lines of production. During the period September 2008 – August 2009, the largest contributor to the closure of working places is internal restructuring (69.7%), followed by bankruptcies (22.8%), mergers (3.6%), delocalization and establishment of off-shore companies (2.9%) and other forms – 1%.<sup>18</sup>

With the passing of the crisis, the frequency of closure of working places decreases. Hence, in November 2010 the proportion of working places closed to working places opened changes to 2.5:1 (31391 closed working places and 12456 newly opened working places according to data from the European Restructuring Monitor – ERM;

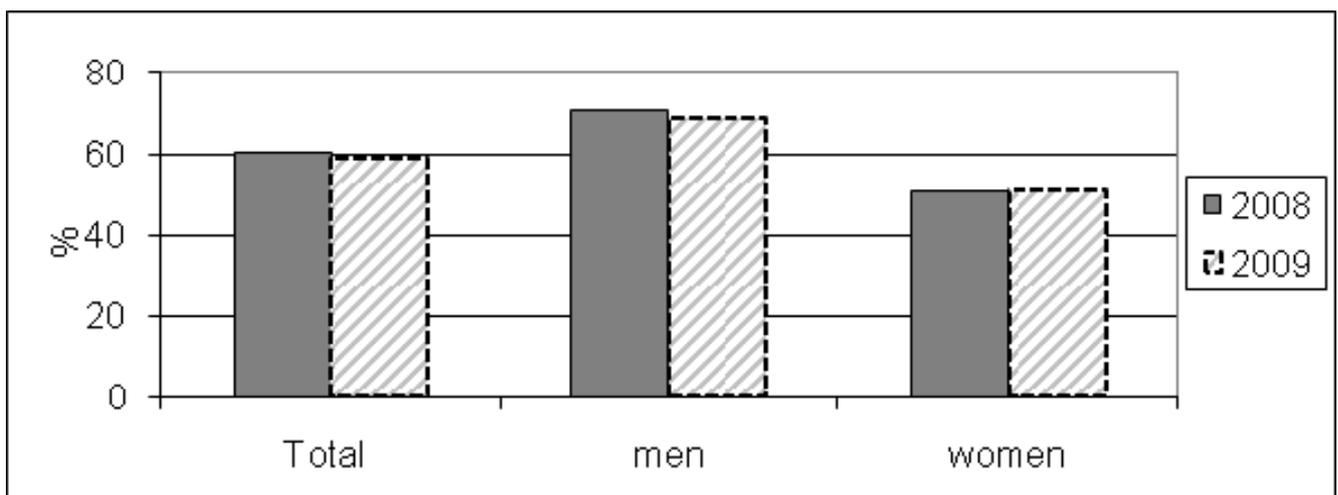
<sup>18</sup> EU Employment Situation and Social Outlook. – Monthly monitor, November 2009, p. 9.

the values are on a basis of 82 studied units).<sup>19</sup> By individual countries, the largest number of working places closed has been registered in England (10544), France (7596), Ireland (5000) and Hungary (2500).

The crisis considerably changes the employment structure and the length and flexibility of the working time in particular. The adaptation of the employed, and respectively of the working hours completed, to the decreased volumes of production and the services translates into a decrease of the number of people who are employed full-time and an increase in part-time employment. For example, during the period 2008-2009, the share of the workers employed full-time in the EC-27 decreases from 60.5 to 59.2%. The change is most sizable amongst male workers – from 70.7% in 2008 to 68.5% in 2009. In the case of women, this change is from 50.7 to 50.1% respectively (see Figure 3). The more substantial change of employment from full-time to part-time (or towards unemployment) in the case of men is due to the fact that initially the crisis most strongly affected the industry and construction, which are sectors where the male segment of the labour force typically dominates.

Figure 3

Full-time Employment in EU-27



Source: Compendium 2010, tables 17 A1, EU.

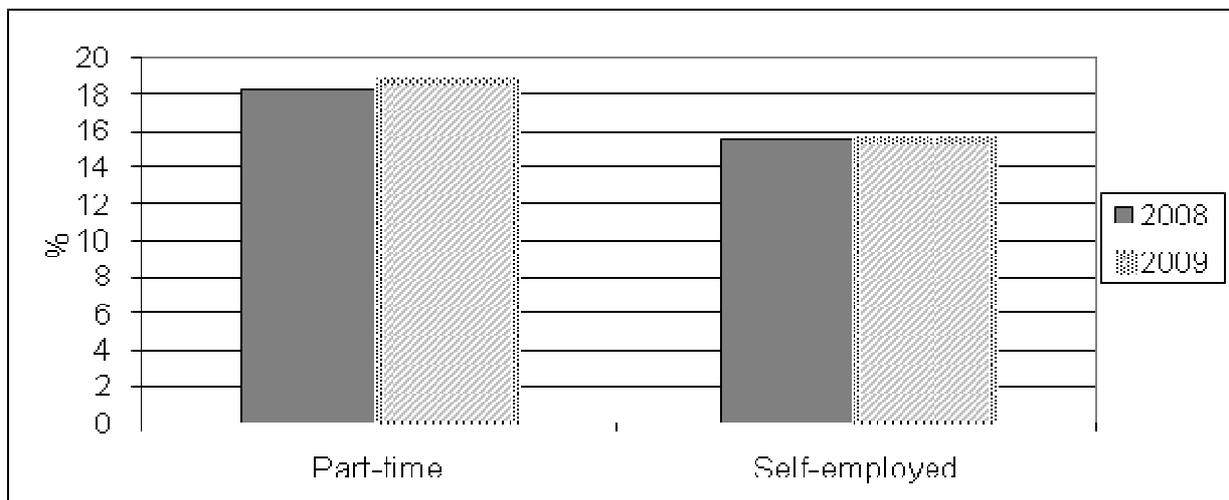
<sup>19</sup> EU Employment Situation and Social Outlook. – Monthly monitor, November 2010, p. 11.

Another indicator of the size and severity of the crisis' impact over employment is the dynamic of temporary employment. Generally speaking, this the most cyclically oriented component of employment with regard to its sustainability. The weakness of the European labour markets and their vulnerability to the crisis translates into a decrease in the number of signed labour contracts for temporary employment. During the first quarter of 2009, within the EU, these contracts decrease in number by 2.9 million in comparison to the same period of 2008, while the most significant decrease is evidenced in Spain – 1.2 million.

The tracing of the changes in full- and part-time employment and the forms of employment, such as hired and self-employed, are of considerable significance for the purposes of evaluating the programs and policies, which should be utilized as a means to counteract the crisis. The data from the table presented below indicates that the crisis causes an increase in part-time employment, but does not exert a significant influence over the dynamic of self-employment (see Figure 4).

Figure 4

Part-time Employment and Self-Employment in EU-27



Source: Employment in Europe 2010, Statistical annex, p. 165.

Within the employment structure an increase in the share of part-time employment is evidenced – in 2008 and 2009 it increases by 0.6 percentage points (up to 18.8% compared to 18.2% in 2008). During the first two years of the crisis the relative share

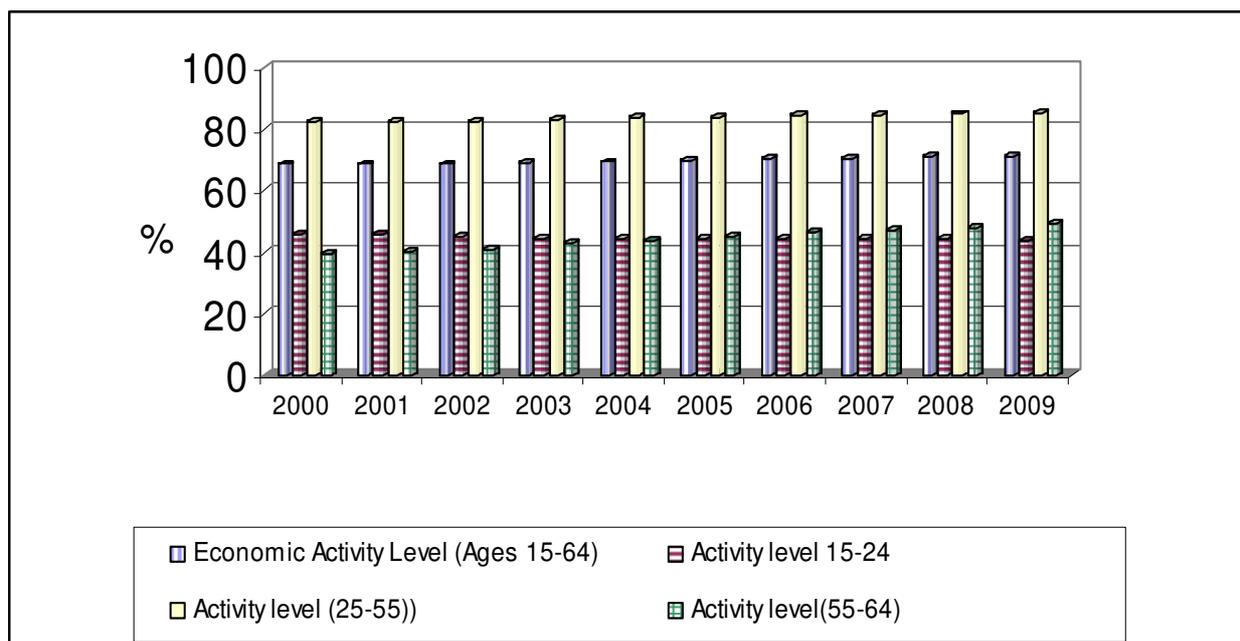
of the self-employed within the EU-27 remains comparatively stable – 15.5% of all employed residents. To a certain extent, these changes reflect the implemented policies aimed at the protection of the labour markets via the introduction of measures in support of the transition from full- to part-time employment as well as in aid of the self-employed. Furthermore, these changes reflect the employers’ strategy from the beginning of crisis, which aims to preserve employment levels through a series of measures, such as: maintaining the minimal feasible number of employees working full-time and respectively limiting the hiring of employees at full-time as well as transferring part of the labour force from full- to part-time employment for a given time period.

#### 1.4. The Crisis and the Labour Supply

The rapid increase in unemployment and the decreased demand for labour do not “cool down” the population’s level of economic activity, which rises up to 71.1% in the end of 2009 (see Figure 5).

Figure 5

Economic Activity Level by Age Groups – EU-27



Source: Employment in Europe 2010, Tables, p. 165.

A more detailed examination of the level of economic activity of the individual age groups is of chief importance for the purposes of adequately addressing the key aspects of the anti-crisis measures. For example, the crisis and the decreased demand for labour most strongly affect the youngsters and contribute to a most rapid decrease in economic activity among young people (ages 15-24) – 44.2% in 2007 and 43.8% in 2009.

With the exception of the youngest age group, the level of economic activity among the remaining age groups increases, while that increase is most sizable for the age group 55-64. The level of economic activity among people between the ages of 55 and 64 increases from 47.1% in 2007 to 49.1% in 2009.

The pension system reforms, as part of the structural reforms in the member-countries, envision an increase in the retirement age as a means to stimulate more people from those age groups to remain employed longer. These steps should compensate for the decreased inflow of younger cohorts of labour resources on the labour market as a result of the demographic crisis.

Meanwhile, however, the higher level of economic activity of the age groups and the low level of economic activity among young people apparently reflects deeper structural problems on these markets, which lead to a lack of equality among the individual age groups.

The problems of the European labour markets with regard to the supply of labour, which gradually decreases as a result of the aging of the population, additionally worsens, given the crisis conditions, the decreasing economic activity and the withdrawal from the labour market of people within working age. That is why, the issues of low economic activity and the activation of people within working age should be highlighted as some of the main challenges that the member-countries of the Community would have to overcome.

### *1.5. The Crisis and Unemployment*

The unemployment level increases from 8.7% during the fourth quarter of 2008, to 9.4% during first, 9.5% during the second, 9.6% during the third and 9.7% during fourth quarter of 2009. Towards the end of November 2010, the level of unemployment is 9.6%. Amongst the member-countries the unemployment level varies considerably – during the third quarter it is lowest in the Netherlands (4.4%), Luxemburg (4.8%) and Austria (5.1%) and is highest in Spain (20.6%), Lithuania (18.3%) and Latvia (18.2%). The dynamic of the fluctuations in unemployment rates is also quite different within the individual member-countries – it decreases in six countries (Finland, Sweden, Germany, Malta), remains stable in three countries and increases in eleven member-countries. The fact that, in some countries, unemployment continues to rise is an indication of the instability of economic growth and of the stability of the Union as a whole.

Youth unemployment, as was mentioned above, is characterized by a considerable dynamic – from 19.2% during the fourth quarter of 2008, it increases to 20.7% in November 2010.<sup>20</sup> Youth unemployment is highest in Spain (43.6%), Slovakia (36.6%) and Lithuania (35.2%); it is lowest in the Netherlands (8.4%), Germany (8.6%) and Austria (10.3%).<sup>21</sup> These figures reflect the exceptionally unstable character of youth employment, which is apparently most vulnerable to external labour markets shocks.

Initially, the crisis' impact over employment is more significant with respect to men, which translates into a higher unemployment growth rate amongst male workers. Afterwards, employment amongst women also begins to decrease; respectively, female unemployment rises. Hence, the fluctuation of unemployment rates amongst men on an annual basis is relatively small (9.8% in November 2009 and 9.9% in November 2010), while during the same period the dynamic of female unemployment is higher – from 9.2% to 9.6%, respectively.

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<sup>20</sup> Quarterly EU Labour Market Review. Spring, 2010.

<sup>21</sup> <http://www.asymptotix.eu/content/euro-area-unemployment-rate-101-eu27-96-november-2010>

The unemployment rates do not, however, fully represent the degree of non-utilization of the female work force; neither do they wholly account for the collapse in female employment. Since a larger portion of the female population define themselves as inactive, rather than unemployed, it can be asserted that female labour supply has been underestimated as well as the unemployment level among female workers. Hence, the mobility of women, within the crisis conditions, from a state of employment towards a state of inactivity is more pronounced than is the mobility among male workers, where the transition is from employment towards unemployment. This specific is accounted for in economic literature as a notable characteristic of the end of the past century, but it is also evidenced during the current crisis.<sup>22</sup> However, alongside the development of the crisis, a decrease in economic activity among men is also evidenced since the limited demand for labour discourages this segment of the work force as well and causes them to leave the market for labour.

The negative effects of the crisis over the labour market are further intensified by the fact that, besides the increase in youth unemployment, it also contributes to an increase in long-term unemployment. In 2008, the level of long-term unemployment within the EU-27 is 2.6% and rises to 3.0% in 2009. That level is, however, twice higher in Slovakia (5.6%) and is also considerably high in Hungary (3.8%), Italy (3.1%), Greece (3.6%), etc.<sup>23</sup>

The crisis does not simply delay the development of labour markets from the standpoint of the goals set forth in the Lisbon Strategy and in the appendices to it as approved at subsequent high-level forums, but it also brings us many years back.<sup>24</sup> In that sense, the rethinking of the disruptive impact of the crisis over the levels and quality of employment and the unemployment within the context of these specified goals is a

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<sup>22</sup> Rubery, J., M. Smith, C. Fagan. (1999) *Women Employment in Europe: Trends and Prospects*. London: Routledge.

<sup>23</sup> EU. *Quarterly EU LM Review*. Summer 2009, p. 10.

<sup>24</sup> The main goals of the Lisbon strategy with regard to the labour market envision the achievement of an employment level of 70% in 2010, an employment level amongst women of 60% and an employment level amongst adults of 50%. Another goal is for youth unemployment to not exceed 10%.

necessary step towards the evaluation of the design and effectiveness of the European anti-crisis policy.

## **2. Scope of the Impact of the Crisis on the Labour Market in Bulgaria**

Following a period of stable and positive development, which started at the beginning of the new century, during the last three years, the main characteristics of the labour market are defined by factorial impacts of crisis conditions, such as a low demand for labour, increasing levels of unemployment and decreasing investments in the labour force. The fluctuation of unemployment increased the pressure exerted over social systems, while the restricted public finances were concentrated on the temporary forms of social protection and the re-thinking (reduction) of the public programs given the existent conditions defined by financial restrictions. The preservation of the relatively stable level of economic activity (53.8% in 2008 and 53% in 2009) reflected the limited possibilities for replacement of the incomes from labour with incomes from other sources for the majority of the population. It further predetermined the exertion of pressure on the market from the supply side of labour in both the short- and medium-run. The dependence of household incomes on the social transfers (pensions, compensations and aids) increases, which is confirmed by the increase of their share in total income from 26.2% in July 2008 to 30.9% in July 2009.

The initial expectations that the crisis would be overcome comparatively swiftly did not prove right. On the contrary, the crisis turned out to be more lasting than the preliminary evaluations anticipated and the high probability that it will be followed by a lengthy economic stagnation becomes ever more apparent.

The financial crisis did not directly affect the Bulgarian economy, which is subject to a currency board and has a stable banking system. The crisis affected manufacturing mainly through the decrease in the volumes of production, the sales and the exports. Another source of growth from the period prior to the crisis, namely foreign

investments, also decreased rapidly. As a consequence, the crisis found its reflection in the decreased internal consumption, which is the result of the policies imposing strict financial restrictions and the freezing of the main sources of income such as the working salaries and the pensions.

During the period from the middle of 2008 until the middle of 2011, the ruling governments (since the middle of 2009 the country is governed by GERB's<sup>25</sup> cabinet, which replaced the previous trilateral coalition government<sup>26</sup>) approved three sets of anti-crisis measures. However, the implementation of these measures was not integral and consecutive, which predetermined the relatively poor results from them. Bulgaria is not among the countries that made swift and considerable investments aimed at protecting particular lines of production and working places. The discussed, approved and partially implemented sets of anti-crisis measures were combined with measures of a fiscal character and with measures aimed at the real economy and the employment. The measures aimed at preserving the stability of the treasury had an effect, but the diversified measures targeting the real economy, manufacturing and employment failed to produce an effect. Their great diversity unfocused the efforts and predetermined a low level of effectiveness.

The economic crisis affected the labour market particularly strongly and caused a drastic decrease in labour demand, an increase in unemployment and contributed to the worsening of the population's well-being. The received signals are predominantly negative from the standpoint of Bulgaria's social policy, since employment continues to be a main source of income in the country (51.9% of total income in 2008). Employment is one of the major factors, which defines the standard of living and contributes to its improvement. Meanwhile, the level of the income from labour is considerably lower in comparison to the other EU countries, which conditions the country's ranking at one of the last places within the European Union. Regardless of that low income level, employment is a chief

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<sup>25</sup> The party is called Citizens for European Development of Bulgaria and has a right political orientation.

<sup>26</sup> The cabinet included the socialist party and two left centric parties – NDSV and DPS.

factor for the qualitative development of the human resources – via employment, a significant portion of the population receives access to healthcare, social insurance and social security networks. Employment further generates income for the state budget, which allows for public expenditures towards social security and protection.

### *2.1. Fluctuations in Employment Levels and the Employment Dynamic in Bulgaria 2008-2010*

After 2009, the economic dynamic and its stability in Bulgaria led to a sustainable increase in employment, a decrease in the relatively high unemployment (from 18.1% in 2000 to 5% in 2008) and even to a shortage of labour during the period 2006-2007. The international financial crisis and its reflection over the real economy in the country significantly changed the conditions relating to the growth and stability of employment. The effects are most strongly pronounced in the beginning of 2009 when the rapid decrease in labour demand, the closure of working places and the increase in unemployment are evidenced (Table 1).

Table 1

Dynamic of GDP, Employment and Unemployment in Bulgaria

	GDP Rate	Employment Chain Index	Unemployment Level
<b>2008</b>			
1Q	7.0	-0.6	6.5
2Q	7.1	2.4	5.8
3Q	7.1	1.3	5.1
4Q	6.8	-1.6	5.0
<b>2009</b>			
1Q	-5.3	-3.0	6.4
2Q	-3.8	1.1	6.3
3Q	-4.9	-0.7	6.7
4Q	-5.8	-3.4	7.9
<b>2010</b>			
1Q	-4.0	-5.1	10.2
2Q	0.5	2.0	10.0
3Q	1.0	1.0	9.5
4Q	1.7	-1.3	11.2

Source: Labour Force Survey, National Statistical Institute, <http://www.nsi.bg>

Towards the end of the third quarter of 2008, employment in the country amounted to 3 417 300 people, while the unemployment rate was a mere 5%. These are the best values that employment and unemployment have assumed since the beginning of the transition period in 1990. Two years later, towards the end of the fourth quarter of 2010, employment has decreased by 438 600 people and the unemployment level has reached 11.2% or 382 400 people.<sup>27</sup>

The impact of the crisis over the labour market is not uniform throughout the crisis period. Furthermore, during the second quarter of 2009, a minimal increase (by 38 000 people) in employment is evidenced alongside a decrease in unemployment by 0.1 percentage points. This is the result of the impact of the anti-crisis policies implemented during the second half of 2008 and the beginning of 2009.

The labour market is subject to the crisis' impacts via the transfers of negative effects from the real sector. The chief factors, which contributed to the increase in employment during the period after 2000, were the investments within the country and above all the foreign investments, the dynamically developing tourist sector, the increasing internal demand resulting from the income dynamic as well as the easy access of households to bank loans and the sizeable support of household budgets by financial transfers from emigrants. According to data, the transfers of Bulgarians, living abroad increase from 680 million EUR in 2008 to 831 million EUR in 2008 and 931 million EUR in 2009.<sup>28</sup>

The global crisis contributed to a substantial decrease in foreign investment within the country as well as to a decrease in production volumes as a result of the shrinking demand on the markets of the country's main external trading partners. The increasing unemployment on the American and European markets affected Bulgarian emigrants and deprived them of an income, which would have also constituted a source of transfer of financial resources towards the country. Furthermore, a portion of those people returned to the country and further increased labour supply on the internal labour market.

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<sup>27</sup> National Statistical Institute. Labour Force Survey for respective periods.

<sup>28</sup> National Statistical Institute. Statistical Reference Book 2010. p. 167.

In practice, a considerable percentage of Bulgarian households rely on regular monetary transfers from abroad. Those transfers do not solely play a supportive role; in many cases they represent a major source of income for their households. The lasting stagnation of employment and the relatively high level of unemployment during the period 1990-2002 turn “the export of labour force” into an effective source of monetary flows, while the volume of accumulated transfers exceeds that of the foreign investments.<sup>29</sup>

The crisis significantly decreased the country’s attractiveness with respect to foreign capital; investment activity slowed down substantially and, what is more, a portion of the foreign capital was actually withdrawn from the country. According to data from the National Bank, during the examined period, foreign investments (which amount to 6 685.9 million € in 2008) decrease almost twice in 2009 (to 3 281.9 million €) and almost ten times in 2010 (384.5 million €).

The tourist sector loses approximately one third of its volume due to the decreased tourist flow, which contributes to a decrease in internal consumption, while the sector is a source of employment and income for nearly 15% of the employed.

## *2.2. The Crisis and the Demand for Labour*

As result of the influence of the above enlisted factors, which affect the labour market, the demand for labour significantly decreases.

The cyclical development of aggregate labour demand has a pronounced seasonal characteristic and its level during 2009 and 2010 is lower than the one registered in the pre-crisis period (mid-2008). The dynamic of the declared working places – as a total as well as by two sub-groups – new working places opened and working places opened by the private sector, indicates that in 2009 and 2010 the first group shrinks in comparison to the same period in 2008 and that the decrease in labour demand is primarily a

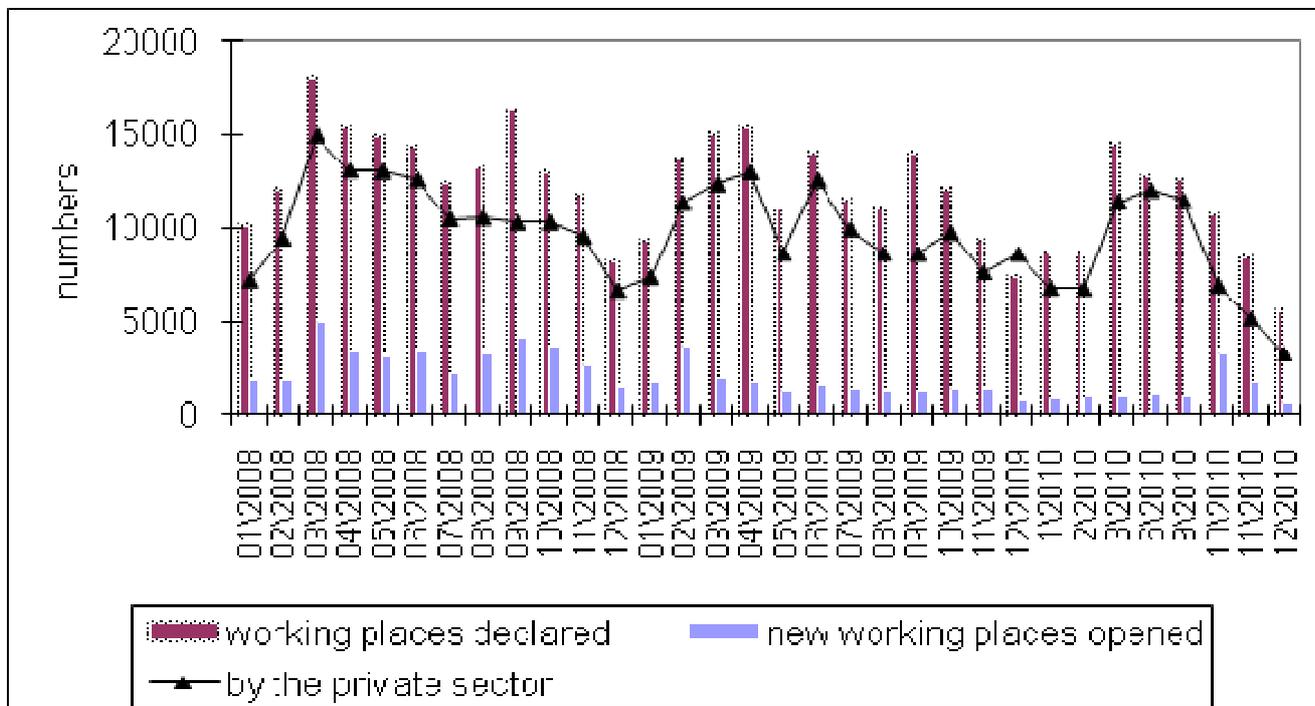
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<sup>29</sup> National Statistical Institute. Multipurpose household survey data. 2007.

consequence of the decrease in the number of working places opened within the private sector.<sup>30</sup>

Figure 6

Dynamic of the Opening of Working Places in Bulgaria, 2008-2010



Source: Data from the Employment Agency.

### 2.3. The Crisis and the Restructuring of Employment

An understanding of the restructuring of the economy can be achieved on the basis of the dynamic of the employment structure by the main sectors – the industry, agriculture and the services (by quarters).

The data presented in Table 2 indicate that, from the standpoint of the dynamic of the employment structure during the crisis period (from the middle of 2008), the economic restructuring is most significant in the industrial sector, where the number of the employed has decreased by almost 200 000 people, or around 12% of the employment during the pre-crisis second quarter of 2008.

<sup>30</sup> The private sector provides employment to 73% of the hired labour force (first quarter of 2009), which represents its significances from the standpoint of the dynamic of labour demand in the country.

The service sector also undergoes changes as it registers a decrease in the number of the employed by almost 140 000 people, despite the fact that the share of this sector in the aggregate employment throughout the period from the middle of 2008 (50.3% in the second quarter of 2008) to the third quarter of 2010 remains largely unaltered – 50.9%.

Table 2

Employment Dynamic by Economic Sectors in Bulgaria

	Total	Industry	Agriculture	Services
2008				
1Q	100.0	17.4	29.8	52.8
2Q	100.0	21.6	28.7	49.7
3Q	100.0	21.4	28.3	50.3
4Q	100.0	17.0	30.0	53.0
2009				
1Q	100.0	17.5	29.0	53.5
2Q	100.0	21.9	27.1	51.0
3Q	100.0	22.0	26.6	51.4
4Q	100.0	17.6	28.2	54.2
2010				
1Q	100.0	17.8	26.7	55.5
2Q	100.0	22.2	26.1	51.7
3Q	100.0	23.3	25.8	50.9
4Q	100.0	17.5	27.6	54.8

Source: National Statistical Institute, [http://www.nsi.bg/ORPDOCS/GDP\\_2.2.1.xls](http://www.nsi.bg/ORPDOCS/GDP_2.2.1.xls)

During the crisis period the relative share of the employment in agriculture increases notably – from 21% during the second quarter of 2008 to 23.3% in the third quarter of 2010. The seasonality of employment in this sector is strongly pronounced and is evidenced by the decrease in the number of people employed therein with almost 200 thousand and of its relative share to 17% during the first quarters of 2009 and 2010.

The comparison of the employment dynamic with the one of GDP by economic sectors during the crisis period indicates that the crisis stimulates the restructuring of the employment and shifts towards tradable and highly competitive production

activities and services. The increase in GDP in the industry in 2010 in comparison to 2009 (by quarters) constitutes an affirmation of that assertion.<sup>31</sup>

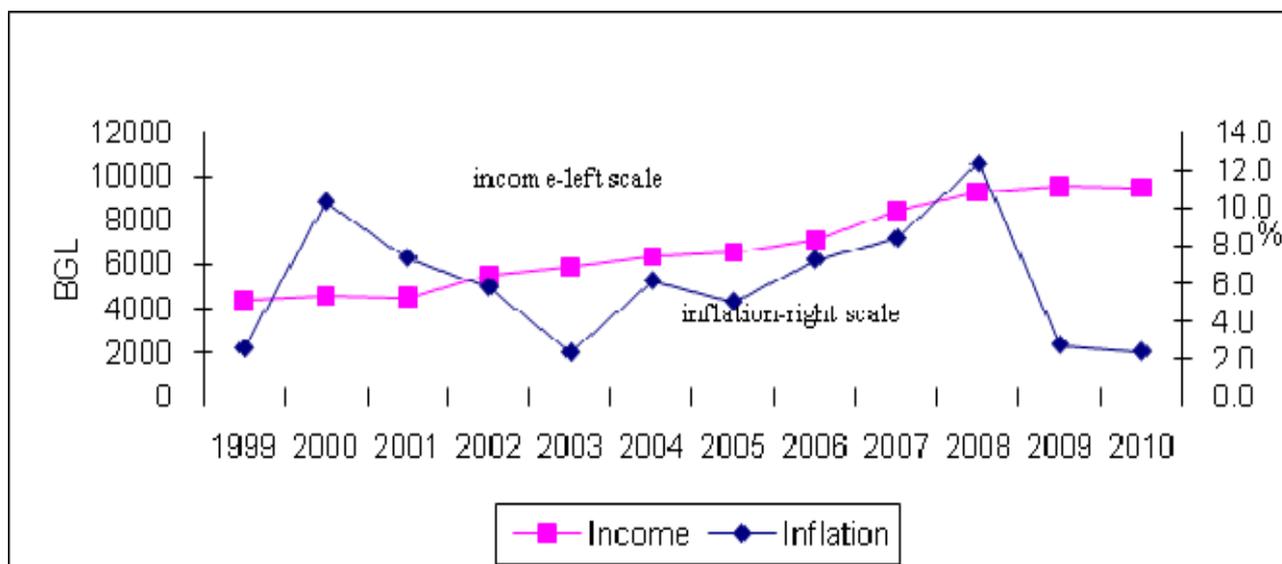
Meanwhile, on an annual basis, only the third quarter of 2010 registers a high GDP growth in the sphere of agriculture and that fact alone does not provide grounds for the formulation of a positive evaluation of the growing employment in agriculture. This mobility of employment can be described as the only alternative for ‘surviving’ the crisis, rather than as an effective restructuring of employment and production.

#### 2.4. The Crisis and the Supply of Labour

The decrease in wages, which constitute a resource for temporary prevention of employment, as well as the consequent waves of dismissal of employees lead to a substantial collapse of household incomes in the country within the crisis conditions as illustrated by Figure 7.

Figure 7

Fluctuation of Incomes and Inflation in Bulgaria



The decrease in household incomes in Bulgaria stimulates the supply of labour, particularly amongst women. The economic activity of the population, subsequent to

<sup>31</sup> Refer to the data on GDP dynamic by quarters of the Bulgarian National Bank <http://www.bnb.bg/>

a certain decrease in 2009, reaches in 2010 the level from the pre-crisis period while amongst women the economic activity level rises by more than 1 percentage point during the first three quarters of 2010 (see Table 3).

The quarterly dynamic of economic activity is not unidirectional: the increase in economic activity until the third quarter of 2008 corresponds to the still sound state of the labour market with respect to working places and the demand for labour. The onset of the crisis in the end of 2008 decreases the economic activity with almost one percentage point in the beginning of 2009. Afterwards follow two quarters characterized by comparative stability and a new decrease in the end of 2009 and in the first quarter of 2010. Throughout the following two quarters economic activity increases, but its level is lower than the one registered during the pre-crisis period (67.1% and 68.5%, respectively).

Table 3

Dynamic of Economic Activity in Bulgaria – Total and by Gender (Ages 15-64)

	Total	Men	Women
1Q2008	67.0	71.5	62.6
2Q2008	67.9	72.5	63.3
3Q2008	68.5	73.3	63.8
4Q2008	67.8	72.8	62.8
1Q2009	66.9	71.8	62.2
2Q2009	67.6	72.3	63.0
3Q2009	67.7	72.4	63.0
4Q2009	66.5	71.4	61.7
1Q2010	65.5	69.9	61.1
2Q2010	66.9	71.4	62.6
3Q2010	67.1	71.4	62.8
4Q2010	65.2	69.1	61.4

Source: National Statistical Institute, [http://www.nsi.bg/ORPDOCS/Labour\\_3.1.1.xls](http://www.nsi.bg/ORPDOCS/Labour_3.1.1.xls)

The quarterly dynamic of economic activity is not unidirectional: the increase in economic activity until the third quarter of 2008 corresponds to the still sound state of the labour market with respect to working places and the demand for labour. The onset of the crisis in the end of 2008 decreases the economic activity with almost one

percentage point in the beginning of 2009. Afterwards follow two quarters characterized by comparative stability and a new decrease in the end of 2009 and in the first quarter of 2010. Throughout the following two quarters economic activity increases, but its level is lower than the one registered during the pre-crisis period (67.1% and 68.5%, respectively).

This dynamic of labour supply reflects a withdrawal from the labour market, given the existing conditions characterized by a problematic demand for labour, as well as a transition towards employment in the grey sector of the economy or towards social insurance systems.

Among men and women, the dynamic of economic activity also reflects particular specifics. For example, the crisis has more a pronounced negative effect over the employment of men; however, they remain on the labour market on the side of labour supply. Among the women, the effects over the decrease in employment are considerably more moderate, while the outflow of women from the labour market is more clearly pronounced within the given crisis conditions. The interpretation of those tendencies indicates that the decreasing employment opportunities for men do not lead to their withdrawal from the labour market. The case of the women is rather different as they withdraw from the labour market and re-direct themselves towards economic inactivity or towards the pension system.

As a rule of thumb, however, the crisis intensifies the mobility of the labour force from employment towards unemployment. It is important to point out that in Bulgaria, the crisis' effects over the size and structure of unemployment are compounded to existing unfavorable conditions, such as a high level of long-term unemployment, high unemployment among people with no education and professional qualification, etc. It should also be pointed out that, from a quantitative standpoint, unemployment in Bulgaria, despite its comparatively low level in comparison to the other EU member-countries (6.2% average in 2008), has, in absolute terms, not fallen below 200 000 people.

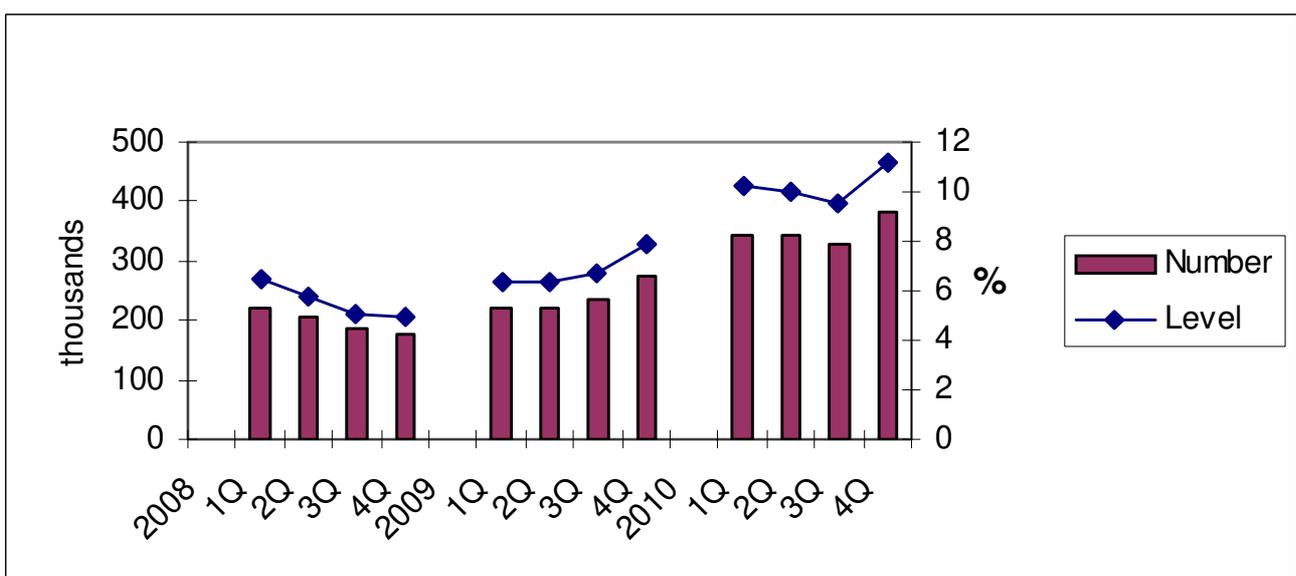
The crisis generates new waves of unemployed citizens and additionally worsens the existing structural disparities. To the people that formed the group of the unemployed until now (mostly people with low education and qualification, youngsters that just recently completed their secondary education and citizens with no professional qualification/skills) the crisis added the employees that were let off during the first wave of the crisis (mainly workers with low qualification, which find themselves in a high-risk position in times of crisis) as well as part of the self-employed, who could not ‘survive’ given the decreasing demand for goods and services, and the unemployed emigrants that returned from abroad (see Figure 5).

### 2.5. The Crisis and Unemployment

In 2008 unemployment continues to decrease, following the inertia stemming from a stable economy characterized by growth since the beginning of 2000. The fluctuation of unemployment in 2009 reflects the decreased labour demand and the increase in the number of unemployed people. The process continues in the first half of 2010 and it is only after that signs of a forthcoming decrease are evidenced.

Figure 8

Unemployment Dynamic in Bulgaria, 2008-2010



Source: National Statistical Institute, [www.nsi.bg](http://www.nsi.bg)

The decrease in income growth, the price dynamic and the need for repayment of the received “easy credits” pushes up the supply of labour on the labour market even further, which causes an increase in unemployment. Meanwhile, the worsened economic conditions intensify the mobility of economically inactive citizens (160 000 people in March 2009<sup>32</sup>) to join the group of the unemployed. This additionally increases labour supply. Since only a part of the unemployed people can be encompassed by active policy schemes and swiftly be offered a job, the pressure over the social security system increases.

The crisis’ development and the reaching of its peak in the middle of 2010 necessitated the layoff of the more qualitative segments of employment, which represent the consequent waves of dismissed workers who joined the group of the unemployed.

Until now the evidenced slight invigoration of labour supply is limited to the more qualitative segments of the supply – specialists with a high qualification and such that are professionally qualified in one of the spheres, which were less strongly affected by the crisis. In Bulgaria the metallurgy, construction, chemistry, textile and tailoring, tourism and transport are among the first sectors to let off part of the labour force as a result of the shrinking of the volumes of production and of the services. The decrease in public expenditures also conditions a decrease in employment in the public sector. The fact that the economic recession continued in 2010 led to more massive layoffs of workers in other groups of sectors as well (which link, along the technological chain, with the former). The effects of the decrease in construction activity reflected on the employment in the wood processing and furniture industries; the shrunken demand for tourist services affected the transport sector<sup>33</sup> as well as the associated supporting services, whose provision was largely limited to small- and middle-sized businesses. The

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<sup>32</sup> National Statistical Institute. Employment and Unemployment, first quarter of 2009.

<sup>33</sup> The mass layoffs by the Bulgarian State Railways to the amount of 1200 workers, which took place in October 2009, constitute a direct manifestation of the avalanche-like development of the crisis in employment.

anticipation of the business for an increase in the number of bankruptcies in 2011 indicates that the effects of the crisis over the labour market will be evident for a considerable amount of time after the peak of the crisis has been surpassed.<sup>34</sup>

That is why the utilization of adequate policies as a means to influence the intensity and direction of mobility constitutes an important aspect of the overall policy for diminishing the negative effects that the crisis has had over the labour market.

## **CHAPTER TWO. EUROPEAN AND NATIONAL ANTI-CRISIS PROGRAMS**

### **1. European Plan for Economic Recovery**

As a means to counteract the negative effects of the crisis over the economic and social development, the European Commission (EC) approved a Plan for Economic Recovery (November 2008) as well as a series of coordinating actions aimed at uniting the member-countries' efforts to decrease and swiftly overcome the consequences of the crisis.<sup>35</sup>

The plan includes the provision of support to the real economy and the encouragement of trust via the implementation of measures affecting the monetary and credit conditions, the budget policy, the priorities set forth by the Lisbon Strategy incl. the investments in human capital, in the business and in infrastructure and energetic as well as in scientific research and innovations.

As a means to protect employment and encourage entrepreneurship, a series of employment-supporting measures were undertaken as follows: stimulation of labour demand; improvement of the access to financing of enterprises; decrease in the administrative burden and stimulation of entrepreneurship. Financing amounting to EUR 200 billion has been envisioned for the implementation of the plan.

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<sup>34</sup> Interview with the chairman of the Confederation of Employers and Industrialists in Bulgaria, Trud newspaper, January 18, 2011.

<sup>35</sup> High-level forums on employment in Madrid, Stockholm and Prague (2009).

In addition to the Plan for Economic Recovery, in January 2009, the EC completed an overview and formulated recommendations towards member-countries regarding their respective programs for structural reforms within the context of the Community's anti-crisis plan and, in June 2009, disseminated a communiqué entitled "A Shared Commitment for Employment".<sup>36</sup> The document specifies three key priorities: preserving employment, opening new working places and stimulating labour mobility; professional development in answer to the demands of the labour market; improving the access to employment.

During the high-level forum on employment, which took place in May 2009, these priorities were further developed into ten specific spheres of action, on which the member-countries of the Community should focus their attention and utilize the support instruments provided by the EC. More concretely, these activities aim at:

- Better utilization of the shortened working hours schemes;
- More active participation in and management of the restructuring (via social partnerships and its structures);
- Supporting the creation of new working places;
- Supporting labour mobility;
- Encouraging professional development and "life-long learning";
- Prompt provision of support to youngsters;
- Implementation of actions aimed at improving the access to labour;
- More effective utilization of the EC funds (structural and cohesion funds) for the purposes of implementing the programs;

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<sup>36</sup> Communication from the Commission to the European Parliament, the Council, the European economic and social committee and the Committee of regions. A shared commitment for employment. Brussels, 03.06.2009, COM (2009) 257.

- More effective management of the labour markets and further development of employment services.

In March 2009, the EC distributed a Joint Employment Report 2008/2009, which further specifies the policy priorities, whilst focusing the on a flexible integrative approach with respect to the labour market policy and on the establishment of a better balance between the supplied and the demanded professions on the labour market. The report contains a critical overview of the measures undertaken until now and formulates recommendations for their further improvement. It underlines the need for an open and constructive dialogue with the social partners and with all other key stakeholders as well as the need for careful valuation of the interrelation between the monetary, budget, fiscal and labour market policies and the social policy.

In response to the crisis' impact over labour markets, the national governments of the member-countries prepared and began the implementation of national plans for economic stabilization, protection and stimulation of employment. In many of them, the specified parameters characterizing the development of the labour markets are subject to rethinking; the available resources are being restructured in accordance with the most pressing points resulting from the external crisis shocks. In some of the countries, the sets of measures undertaken at the national level undergo a series of alterations, which reflect, on the one hand, the dynamic nature of the crisis' impact over employment and the difficulty associated with forecasting its effects and, on the other hand, the need for the implemented sets of policies to be very flexible, given the dynamic conditions, and to be timely adjusted in compliance with the evaluations from the on-going monitoring.<sup>37</sup>

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<sup>37</sup> For example, until now Austria has implemented two sets of measures; one for economic recovery and an additional one concerning tax reforms.

## **2. National Anti-crisis Employment Plans**

The crisis affected the national labour markets with a different strength and during different time periods – in some of them the effects are much more substantial and, as a result, employment decreases more considerably, while unemployment increases notably, while in other countries the size of the influence is smaller and the effects are less substantial.

Since the crisis peaks occur during different time periods in the individual countries, the configuration of the anti-crisis programs is, in time, characterized by differing priorities. For example, for most EU countries the unemployment dynamic is highest during the first quarter of 2008, while for Spain and Italy it is highest in May 2007 and in Ireland – in August of the same year. In Latvia and Lithuania, unemployment begins to increase towards the end of 2007, while in Germany, Bulgaria and the Netherlands the reversal in its dynamic is not evidenced until November 2008.

Regardless of when the crisis occurred and how strong its impact over the respective labour markets was, it affected all countries in the EU and they react with sets of national programs, which are based on a coordinated approach and take into consideration the specific dimensions and manifestations of the crisis.

The anti-crisis sets of measures include actions aimed at decreasing the burden over the business (mainly through a decrease in taxes and tax rates); stimulating the business (via diverse systems aimed at simplifying the access to financial resources and co-financing by the respective country) as well as measures, which have a direct effect on employment and the labour force.

Broadly speaking, the undertaken measures can be grouped as follows:

- Preserving the existing working places and opening of new ones;
- Preserving the income level and supporting the groups of people that have been most strongly affected by the crisis;

- Modernizing the labour markets and improving their effectiveness with the aim of improving the labour force's ability to adapt;
- More flexible working hours, which allow workers to increase their professional qualification and/or seek re-qualification.

One of the most commonly applied measures in the beginning of the crisis is the stimulation to adopt flexible working hours with the goal of preserving the existing working places. With the aid of the utilized flexible working time systems, incl. decreasing the number of the working hours, 16 countries (out of a total of 27 EU member-countries) manage to, for a certain period, maintain the employment level and contain the rapid increase in unemployment rates.<sup>38</sup>

A particularly popular measure, which has anti-crisis effects as well, is the improvement of job placement as well as the investment in labour force re-qualification. 21 EU member-countries have made use of that measure. Its wide application is not solely a response to the recommendations formulated at the spring European Council (2009), but also a routine reaction aimed at protecting employment within crisis conditions. However, this measure cannot be effective in the long-run, because it is relatively expensive and does not lead to a substantial restructuring of employment whenever such is needed.

Another measure, which the EU member-countries have included in their anti-crisis plans, is the preservation and intensification of social security. This measure is implemented in 12 countries from the Community, including Belgium, Bulgaria, Greece, Finland, France, Italy, Latvia, Lithuania, Portugal, Romania, Sweden and England.

Re-energizing the labour market has been adopted as a crisis-counteracting measure in 19 EU member-countries. It includes various stimuli, which encourage employers as well as workers to be active with regard to the demand and supply of labour.

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<sup>38</sup> Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Germany, France, Hungary, Italy, Latvia, Lithuania, Holland, Portugal, Slovakia, Slovenia.

Preserving employment via a decrease in labour expenditures is also a part of the set of anti-crisis measures that has been implemented by 17 EU member-countries.

Actions aimed at changing labour legislation with the goal of increasing the flexibility of the labour market as a means to counter the crisis' impacts have been implemented in only four countries. These are Bulgaria, Estonia, Cypress and Latvia. The governments of those countries have decided that their respective labour legislation is in need of additional changes, which would allow for the utilization of more flexible forms of employment and would constitute a way to counteract the insufficient demand for labour.

Within the anti-crisis sets of measures, the stimulation of professional training and life-long learning is not merely a measure, but rather a means to increase the competitiveness of the labour force. Despite that, this measure is not among the actively implemented ones – a mere 7 EU countries have made use of it.

Maintaining the purchasing power of the households is yet another feasible measure, which is utilized in 18 countries from the Community.

Alleviating the negative influence that the financial crisis has had on the population is also an element of the anti-crisis set of measures, which has been applied in 13 countries.

These, as well as a few other measures, form the basis of the national sets of anti-crisis measures of the individual countries. In them, the specified measures are configured in a differing fashion; they are accompanied by other, more specific measures depending on the specificities and vulnerabilities of their respective economies. For example, as a means to protect automobile manufacturing, which has a leading role in their economies, Germany and Romania have included special measures in their anti-crisis plans that encourage the manufacturers as well as the consumers of this line of production.

It should be pointed out that the national anti-crisis programs of the EU member-countries are developed in compliance with the long-term goals for the development of their labour markets as set forth by the operative programs, which are co-financed by Union funds within the framework of the goals set by the Lisbon Strategy. In that sense, the undertaken anti-crisis measures, in many cases supplement the already developed and functioning systems for employment and stimulation of the population within working age.

### **3. Effectiveness of the Implemented Policies from the Standpoint of the Goals of the Lisbon Strategy**

It is undisputable that the crisis influenced the implementation of the goals, which the individual member-countries have included in their respective national programs in relation to the realization of the Lisbon Strategy. The target rates needed for achieving the specific labour market parameters, such as the level of economic activity, employment, unemployment, etc. could not be realized within the target time horizons since the crisis slows down and in many cases brings development back.

For example, by end of 2008 the employment level in England, Austria, the Netherlands, Norway, Denmark, Finland, Ireland and Iceland is above the target level for 2010 of 70% as set forth by the Lisbon Strategy; however, a number of other countries are still catching up. For some of them it is extremely difficult to meet the goal relating to that particular indicator within the specified time – for example Malta (55.2%), Hungary (56.7%), Italy (58.7%), etc.

Within the given crisis conditions this goal, as well as the other goals specified by the Lisbon Strategy, obviously constitute a considerable challenge for most of the member-countries and especially for the “new” market economies amongst them. It is unlikely that the outlined anti-crisis programs and sets of measures will be

sufficiently effective in managing to wholly compensate for the development-hindering effects of the crisis shocks.

The Joint Employment Report 2008/2009 draws attention to the existing segmentation on the labour markets and to the ever increasing, within the current crisis conditions, disparity between the markets that “work well” and the ones that “do not work well”. Numerous forms of structural segmentation have also been pointed out concerning the full- and part-time employment as well as the high level of youth unemployment and the low level of participation in “life-long learning”.

The segmentation between the labour markets in the “old” and the “new” market economies has not been the center of attention for politicians until now; that is due to the fact that within conditions defined by economic growth, there exist possibilities for newly accepted countries to quickly catch up with the rates of development of those markets. The crisis radically changed that tendency and now employment has collapsed in most of the “new” market economies, while unemployment has reached its level from the period of transition from central planning towards market economy. Since in those countries the automatic stabilizers, incl. the social systems, are not as well developed as they are in the “old” market economies, the collapses on their labour markets can be very lasting and deep and can result in considerable subsequent social tensions. That is why, achieving quick convergence and meeting the Lisbon goals in the medium- and even the longer-run has become particularly challenging.

Those facts necessitate the preparation of an in-depth analysis of the size of the lag in the development of the labour markets in the “new” economies and of the degree to which they fall behind the goals set forth by the Lisbon Strategy, alongside a re-evaluation of the sets of programs and measures from the standpoint of their convergence and a re-thinking of the currently operating mechanisms, which allow access to resources from the European funds. The introduction of a greater degree of flexibility to the access to financing, incl. financing by European funds, would

diminish the existing bureaucratic barriers and would ease the administration of those processes.

It should be pointed out that the EU member-countries develop and implement anti-crisis plans in compliance with other national strategic and operative programs designed to meet the Lisbon goals, which are co-financed by European funds. In that sense, the anti-crisis programs and sets of measures often constitute an extension or expansion of already active programs. This fact relates to the evaluation of the effects of the anti-crisis measures, because, among other reasons, in most countries a complementary effect is evidenced, which makes the evaluation of the effectiveness of the anti-crisis programs and sets of measures quite difficult. A series of countries include quantitative employment parameters in their programs – for example, during the period 2009-2010, Austria anticipates the opening of 50 000 working places as a result of the implementation of the set of anti-crisis measures; Bulgaria aims to maintain unemployment at the level of 100 000 people by supplementing and restructuring the measures envisioned by the National Employment Plan; Finland's set of measures aims at stimulating the local economy and envisions a direct annual employment effect of 25 000 workers, which equals nearly 1% of the labour force.

The effectiveness of the implemented sets of anti-crisis measures regarding employment are characterized by quantitative, but also by important qualitative and time parameters. That last aspect is of particular significance and should be attributed the appropriate weight during the evaluation of the applied policies and during the designing stages of new political actions. This is due to the fact that in some countries there could be evidence of a considerable decrease in employment alongside a high level of unemployment, but if this process is accompanied by important structural changes in the distribution of labour resources and their qualitative development, then those countries can be expected to be a lot more successful and competitive in the post-crisis period. Consequently, the strategic question relating to the evaluation of the effectiveness of the implemented anti-crisis programs and sets of measures is whether they contribute to the

realization of the significant structural changes in the sectoral re-distribution of labour resources as well as to the improvement of their respective quality.

In that sense, the degree of realization of the goals set forth by the Lisbon Strategy should not be analyzed and evaluated solely as a set of quantitative parameters, but rather as a multitude of qualitative reformations of the supply and demand for labour, which have been achieved as a result of the implemented policies

Hence, a constructive discussion of the accomplishments of the European Plan for Economic Recovery and of the national anti-crisis programs should not solely concentrate on the question “to what extent have the investments in those programs aided the recovery of the relatively balanced supply and demand for labour on the labour markets?”. It is necessary to also clarify the degree to which they have contributed to the realization of such qualitative changes that could allow for the recovery of those markets to be based on higher technological grounds, which would itself contribute to the achievement of greater labour productivity and a more competitive knowledge-based economy.

That is why, the approach applied to the design of programs and sets of measures aimed at decreasing the negative effects of the crisis reflects the understanding that the macroeconomic policies (investments, savings) as well as the policies aimed at stimulating the small- and medium-sized business (a chief generator of employment) play a determinant role with regard to preserving and increasing employment.

The labour market policies (active and passive) are only a part of the combination of measures, which have an effect on this market and influence the creation of working places.

The labour market policies aimed at restricting the negative effects that the crisis has had on employment can be sub-divided into two groups depending on their duration and depth – *palliative measures and measures aimed at a deeper structural alterations of the employment system.*

*The palliative policies* represent the first step in the crisis-countering actions, which have been implemented by the EU member-countries. Their goal is to preserve the “status quo” in employment (more specifically, the working places and the staff, wherever possible) and to instigate the creation of temporary working places for some of the dismissed workers. Generally, speaking, the measures prioritize the most severely affected sectors and segments of the labour force; they focus on the people, who face the greatest risk of losing their jobs and becoming unemployed. The design of the measures within the framework of the palliative policy is quite diverse. The most commonly implemented measures are as follows: *part-time employment* (shortened working hours; with or without a compensatory payment by the state); *mandatory leave of absence* (paid or unpaid, yet guaranteeing preservation of the working place); inclusion of part of the personnel in *training programs* with differing designs – distanced or conducted at the working place; creation of new working places for temporary employment through investments in public sites and infrastructure; *programs for social protection of the workers against unemployment* (for example, specifying a certain number of months of guaranteed health insurance coverage) and others.

The *structural changes* target the foundations of the systems (of employment, of social security and protection, of labour market policies, etc.). Their implementation is not expected to produce as many short-term effects as it aims to trigger fundamental changes within the individual systems. These policies are of a strategic nature and correspond to the medium- and long-term goals of employment development. They include the programs for:

- Supporting the competitiveness of companies (and of the workers employed therein);
- Formation, protection and distribution of human capital;

- Optimization of labour expenditures in accordance with the productivity and growth rates given the increasing levels of social security of the employed (increase in the formal and restriction of the informal employment).

More concretely, these programs entail the following:

- Dynamic and effective models for *training*, which combine the training of the employed with technical support to the respective companies (through credits and via effective human resource management);
- Programs for improving *human capital formation* in the sphere of education, for example through its inclusion in the educational system and via an increase in the quality of education from the standpoint of the contemporary requirements and demands of the labour market;
- Measures aimed at achieving flexibility of the system for *protection against unemployment* with regard to the duration of the crisis through changes in the levels and duration of payment of compensations;
- Improving the infrastructure, which supports labour reintegration and labour market participation through the development of intermediary services.

#### **4. “Europe 2020” Strategy – A Look Forward**

In the beginning of 2010 the European Commission initiated a wide discussion about the future development in the aftermath of the global crisis. A lengthy discussion process, documented in a series of EC publications, paved the way for the development and approval of this important document.<sup>39</sup> “Europe 2020” – the European strategy for smart, sustainable and inclusive growth – presented that vision of the future.

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<sup>39</sup> The process relating to the formulation of the strategy was initiated by President Barroso in the end of November 2009. A series of high-level EC documents (prepared between March and October) preclude the final version, which was approved in the end of 2010.

As is well-known, the specified goals relate to the transformation of the European labour markets and the restructuring of the economies and the social networks in the context of other challenges that do not stem from the crisis, such as globalization, the depletion of natural resources and the aging of the population.

That is why the developed priorities center on: the development of an economy that is based on knowledge and innovations; an efficient (from the standpoint of the utilization of resources), green and competitive economy; an economy characterized by high employment that ensures social and territorial unity.<sup>40</sup>

The “Europe 2020” strategy formulates the following key goals for Europe:

1. A 75% employment rate for the population between the ages of 20-64;
2. 3% of Europe’s GDP to be invested in research and innovations;
3. The goals regarding the energy and climate, formulated as “20/20/20”, should be reached and a 30% reduction of emissions should be achieved;
4. The share of the youngsters that leave the educational system early should decrease to less than 10%, while the share of young people with higher education should reach 40%;
5. The number of the people who are exposed to a poverty risk should be decreased by 20 million.

Within the context of the “Europe 2020” strategy, the specific goals that concern the labour sphere are formulated in a separate document, entitled “Europe 2020 – Integrated guidelines for the economic and employment policies of the Member States”.<sup>41</sup>

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<sup>40</sup> Europe 2020. A European strategy for smart, sustainable and inclusive growth, EC, Brussels, 03.03.2010 COM (2010), 2020.

<sup>41</sup> Council Recommendation from 27.4.2010 on broad guidelines for the economic policies of the Member States and of the Union.

Out of the ten formulated integrated guidelines, six concern the economic policy and four relate to the labour market policy.

The integrated guidelines for economic development envision the improvement and preservation of that macroeconomic environment, which would constitute a favorable basis for the realization of the envisioned smart, sustainable and inclusive growth. These guidelines relate to maintaining the sustainability of public finances; overcoming the macroeconomic disparities; decreasing the imbalances within the Eurozone; optimizing the support for the development of research and innovations, knowledge and the potential of the digital economy; improving the effectiveness of resource utilization and decreasing the amount of hazardous emissions; improving the business climate and modernizing the industrial basis.

The four integrated guidelines, which more specifically concern the employment policy, have the following goals:

- Increasing the labour market participation of both men and women; decreasing structural unemployment and stimulating qualitative employment (Guideline 7);
- Development of a highly qualified labour force in compliance with the demands of the labour market, stimulating qualitative employment and life-long learning (Guideline 8);
- Improving the functioning of the educational system at all levels and stimulating the participation in higher education (Guideline 9);
- Stimulating social inclusion and the fight against poverty (Guideline 10).

The realization of the specified guidelines is envisioned through the realization of a series of instruments and approaches, most of which are already well-known and previously utilized; however, in this case the accent is placed on their more effective application. For example, for the purposes of realizing Guideline 7, for which a quantitative goal has been formulated (a 75% employment rate for the population

between the ages of 15-64) envisions the utilization of the following instruments: flexible employment, which would lead to fuller utilization of the labour resources, a reduction of labour market segmentation as well as a decrease in both the inactivity and the differences between the genders with respect to their participation in employment. The flexible and reliable employment also includes active labour market policies, which stimulate life-long learning and the mobility of the labour force. Social dialogue is another instrument, which is used to combat labour market segmentation, employment in the “grey sector” of the economy and employment that does comply with the accepted social and labour regulations.

For the purposes of realizing Guideline 8, which envisions a compliance between the quality of the labour force and the demands of the labour market, the efforts center on improving the qualification of the labour force as a means to meet labour market demands, on stimulating qualitative employment and on life-long learning. Other instruments include the development of systems for identification of the required competencies, for removing the barriers before professional and geographical mobility, for stimulating the transfer of skills and competencies from one working place to another and from one job to another given a high degree of mobility of the labour force.

The realization of Guideline 9 is linked to the achievement of quantitative parameters for decrease of the number of youngsters that leave the educational system early to 10% and for increase of the share of youngsters with higher education to over 40%. These requirements mostly apply to the educational system and the education at all levels, from the earliest form of education for kids to adult education. The educational systems themselves are a subject to re-evaluation as well as the quality of the education and the contents of the educational courses.

Guideline 10 envisions social inclusion and poverty reduction; it too is characterized by quantitative parameters - a decrease in the number of people, which live below the poverty threshold by 25% and a decrease of the total number of the poor by 20 million people. The key policies in that sphere aim at the achievement of equal

opportunities, accessibility, sustainability, high quality of the services, and effectiveness of the anti-discrimination measures.

The framework and visions drawn by the “Europe 2020” strategy, as well as the set of approaches and instruments for achieving the respective goals, are being developed and embedded within the national strategies of the individual countries, whilst taking into consideration the national specifics and the problems relating to the specified goals and the recommended approaches and instruments.

## **5. Gender Dimensions of Crisis Effects**

### *5.1. Gender Employment Gap*

The employment decrease among men is almost twice higher– by 206 800 people, while employed women decrease by 130 200 between 2008 and 2010 (2Q2008 and 4Q2010). Male employment rate has decreased from 68.4 to 61.7% as lowest level in the studied period (4Q2010). The big drop of male employment rate increases the gap between the country and the EU average from 4.6% in 2Q2008 to 7.6% in 4Q2010.<sup>42</sup> Female employment rate decreases from 59.5% in 2Q2008 to 55.3% as lowest level (1Q2010). The decrease is bigger compared with EU average, where the lowest level is 57.9%. However, female employment rate in Bulgaria remains higher than EU average, as it has been during the last five years after the country has entered the EU.

The nearly three times bigger drop in male employment (6.7% male and 2.5% female employment gaps during the crisis) reveals the fact that the crisis in Bulgaria has hit strongly the construction sector, its pick being in 2008 due to investments in hotel resources and house buildings. The sector could not re-allocate its activity in due course because of the investments structure – mainly in hotel resources and house buildings. Further, the crisis has been transferred to some industrial branches through decrease of export, where male employment dominates as mining and quarrying,

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<sup>42</sup> Eurostat data, LFS, Latest news releases, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-29062011-AP/EN/3-29062011-AP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-29062011-AP/EN/3-29062011-AP-EN.PDF)

manufacturing, etc. The decline in tourist services and transport also contributes to the drop of male employment.

The female employment begins to decrease when the “female” sectors begin to suffer the crisis effects, e.g. textile, education, health, public administration. However, the employment decrease has been lower and the turnover point occurs in late 2010, while male employment is still in a downturn.

## *5.2. Trends in the Occupational Segregation over the Crisis Period*

The crisis forces the sectoral restructuring of the economy and the restructuring of the occupational structure of employed people. The gender segregation in Bulgaria illustrates the specific distribution of labour between sectors, as mentioned above. Beside these specific gender distributions, there is a certain occupational segregation, outlining the concentration of male or female labour in the occupation structure. The occupational segregation, measured by IP index 2000-2010, points out that in Bulgaria the crisis has not affected its level, which is 29.3 in 2007 and remains unchanged in 2008 and in 2009 (29.4). In 2010 the occupational gender segregation index even drops to 29. The underlined national trends in gender occupation segregation are in line with the trends, occurring in the EU-27, where the occupational gender segregation also decreases in 2010.<sup>43</sup>

Although relatively stable at national level, there are some changes in the gender occupation gap in Bulgaria during the crisis, namely: increasing share of women employed as “Professional” and “Technicians and associated professionals”, due to which the gender occupational gap increases; decreasing occupational gender segregation gap in “Service workers and market workers” and “Plant and machine operators and assemblers” due to increasing share of men employed in this occupations.

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<sup>43</sup> See in Compendium, 2000-2009; Bettio, F. and A. Verashchagina. Crisis and Recovery in Europe, Labour Market Impact on Men and Women. EGGE thematic report 2011 (forthcoming).

### 5.3. Trends in the gender pay gap during crisis and early recovery

Despite the increasing tendency in the gender pay gap in Bulgaria during the recession, its level of 15.3% remains below the EU-27 (17.1% in 2009).

The gender pay gap by branches shows a very high level in health and social work and education, branches, where the female working force predominates (table 4).

Table 4

#### Trends in Gender Pay Gap in Bulgaria (total and by economic activity) in Bulgaria

Economic activity	2002	2006	2007	2008	2009
Total	17.8	10.8	10.7	16.9	19.0
Mining and quarrying	21.7	27.7	29.5	19.4	19.0
Manufacturing	27.5	23.4	23.6	31.4	30.0
Electricity, gas,	14.3	9.2	7.7	21.5	13.6
Construction	-2.9	-14.9	-17.8	-3.1	1.7
Wholesale and retail trade	10.2	11.5	12.1	26.0	26.0
Hotels and restaurants	0.7	5.9	7.6	16.3	14.6
Transport	7.8	2.7	1.3	12.1	9.4
Financial mediation	13.7	22.5	26.6	29.2	29.6
Real estate activities	-10.4	-17.1	-17.9	24.8	22.8
Administration and support services	9.5	2.1	2.6	-4.9	-1.4
Education	16.3	14.7	14.3	16.9	20.6
Health and social works	23.9	28.5	28.1	32.4	34.2
Others	10.1	6.8	13.9	15.0	16.0

Source: [www.nsi.bg](http://www.nsi.bg) and own calculations for 2008 and 2009 based on data from [www.nsi.bg](http://www.nsi.bg).

The gender pay gap is also higher in manufacturing, financial mediation and real estate. The high pay gap by gender is a consequence of the occupational gender specificity, where male are at a high level positions, while women occupy less paid positions.

Table 4 shows that the crisis contributes to a decrease of gender pay gap in one sector, e.g. administration. The main reason is the frozen wages in the public sector and the undertaken dismissals of the public administration sector by 10% in 2009 and 2010. It seems that the optimization of the public sector employment results in a more significant decrease of male employment at higher paid occupations.

## **CHAPTER THREE. BULGARIA'S PROGRAM FOR OVERCOMING THE EMPLOYMENT CRISIS. THE "BULGARIA 2020" PROGRAM**

### **1. "First" Anti-Crisis Program for Labour Protection (End of 2008 – Middle of 2009)**

During the period 2000-2008 Bulgaria's labour market policy follows the inertia of stable and increasing labour demand, while with respect to the unemployed and the economically inactive the country's policy falls within the framework of an established system for activation and labour re-integration of high-risk groups. This policy is considered to be successful since the respective period is characterized by increasing employment and decreasing unemployment (5% in 2008, which is one of the lowest levels evidenced in the European Union). As a whole, however, the effectiveness of the executed policies primarily reflects the stable and prosperous macroeconomic environment, which stimulates labour demand. Despite that, during the second half of 2008, when the first signals of the onset of the crisis in Bulgaria begin to crystallize further (the economic growth rate decreases as does the demand for labour), a set of anti-crisis measures is envisioned. This set of measures includes shortened working hours schemes for companies where production volumes have decreased as a consequence of the crisis (closed external markets, decreased amount of orders, shirking of investments, etc.). The state compensates for the difference resulting from the decrease in the wages of the affected workers. Another element of the aforementioned set of measures is stimulating employers to preserve employment levels despite the crisis conditions, which have affected production levels and the realization of finished goods; a third element is a grant of BGN 500 million provided by the Bulgarian Development Bank in aid of small- and medium-sized enterprises. Another element from the set of measures, which falls within the framework of the active policies set forth by the National Employment Plan, are programs for qualification and re-qualification of the unemployed.

In practice, the anti-crisis measures in response to the onset of the crisis, which became apparent towards the end of 2008, were actually implemented in the first half

of 2009.<sup>44</sup> In fact, these programs and measures supplemented the already active National Employment Plan 2009 and the programs executed within the framework of the Operative Program “Human Resource Development.” The set of anti-crisis measures is included in “Plan 2009” and aims to (a) preserve the stability of the financial system, (b) to reinforce the Bulgarian economy, and (c) guarantee social protection of all citizens. The size of the financial injection to the economy is envisioned to be BGN 5.6 billion, which is to be distributed amongst the economic sectors, incl. for the infrastructure, investments in new working places and guaranteeing employment with the help of funding from Operative Program “HRD”<sup>45</sup> to the amount of BGN 373 million.

The implemented anti-crisis measures have predominantly “moderate” palliative effects. Such are the schemes for shortened working hours given a compensation for the loss of income from labour<sup>46</sup>, which in 2009 preserved the employment of 19485 workers and employees of companies engaged in the “industrial” and “service” sectors, which have been severely affected by the crisis. The provided compensations benefited 531 employers.<sup>47</sup>

Other programs, which are developed and financed by Operative Program “HRD” with funding to the amount of BGN 798 million, include incentives for employers to

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<sup>44</sup> Parliamentary elections took place in the middle of 2009 and a new government was elected, which acts as of July 2009 and has developed its own anti-crisis program.

<sup>45</sup> The different types of schemes are as follows: the “**Back to Work**” Scheme, an extension of the “In Support of Motherhood” program, entails the advantageous hiring of people at pre-pension ages, and not of pensioners. The scheme meets the demands of the labour market as well as need for care for the children between the ages of 1 and 3; the “**Adaptiveness**” Scheme, a continuation of the shortened working hours program, guarantees shortened working hours for 42 thousand people. Its goal is to restrict mass layoffs and the resignation of workers and employees from enterprises that have for economic reasons adopted part-time working hours. For a period of up to 5 months the persons that have switched to shortened working hours are included in professional training activities and receive a scholarship; the “**On the Road**” Scheme provides the opportunity for people on a labour contract to receive resources for covering their transport expenditures whenever their working place is outside of the settlement where they are registered by permanent address; the “**I Can**” Scheme benefits 27 thousand people on labour contracts via their inclusion in courses designed to improve their professional qualification or key competencies; the “**Development**” Scheme envisions resources to the amount of BGN 150 million to be used for the training of a minimum of 40 000 people, who have lost their jobs after November 2008 as a consequence of the changed economic situation. The scheme will also provide financial stimuli to employers as a means to ensure the hiring of at least 32 000 of the trained unemployed workers for a period of no less than 9 months.

<sup>46</sup> Ordinance № 44 of CoM.

<sup>47</sup> Data from Yearbook 2009. Employment Agency, MLSP, p. 8.

preserve employment; measures aimed at encouraging the hiring of people who are subject to high risk with respect to employment; the opening of new working places and the execution of training and professional qualification activities within the framework of the programs outlined by the National Employment Plan. It has been registered that 21 974 employees have been taken participated in programs for acquiring or improving their professional qualification and for mastering key competences relating to the labour market.<sup>48</sup>

However, anti-crisis measures and policies of a more systemic nature have not yet been developed in the form of a properly addressed model. Individual elements are being publicly discussed, but there is no clear vision or strategic goal for them. For example, to what extent does the crediting of small and medium-sized enterprises via the resources (to the amount of BGN 500 million) provided by the Bulgarian Bank for Recovery (BBR) contribute to an increase in employment in innovative and competitive production sectors? Should this policy be expanded; is there a need for the formulation of new criteria for prioritization of sectors and industrial lines of activity; to what extent are the devised schemes attractive to small and medium-sized enterprises and how effective are they?

Another important aspect is the need for a clear vision and strategy regarding the degree to which the decrease in the social security burden, as a measure aimed at maintaining employment levels, will also be an instrument for stimulating the opening of new working places alongside the preservation of the existing working places in lines of production and economic activities, which are characterized by sound potential for development. The assertion that the decrease in labour-related expenditures will encourage employers to preserve the working places or to invest in new ones is faced by serious counter-arguments, as follows: the crisis is the result of a decrease in demand and hence the problem rests with the markets and the realization of production, rather than with the production itself or the prices of its components.

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<sup>48</sup> Ibid, p. 8.

Another aspect worth discussing is the adult training and the investments in human resource development, which constitute a significant element of the systemic labour market policies. This instrument has been implemented in Bulgaria for ten years already and is predominately directed at the segments of the labour force, which are characterized by low qualification and lack of education. Until now, however, the long-term effects of its implementation are rather difficult to discern. Regardless of that, within crisis conditions, the utilization of this element is of utmost significance. To what extent the high-risk groups of people have been addressed with sufficient accuracy and precision and whether the setups and contents of the programs meet the respective requirements is a matter of evaluation and decision. That is why new approaches are needed as well as new instruments and, above all, a clear vision about the future qualitative structure of the labour force. More pragmatism and flexibility should be attributed to the management of the labour market alongside a more intensive dialogue between the institutions, the civil society structures and the scientific communities.

An important aspect of the anti-crisis program is the clarification of the role, which is attributed to the protection of unemployed people through passive labour market policies and of the degree of readiness of the protective networks to alleviate the negative social impacts of the crisis. This concerns unemployment compensations, the installments for which were, via an exceptionally improvident move, decreased in the beginning of the global crisis. This fact clearly reflects the short-sightedness of the implemented policy and the underestimation of the anticipated impacts of the global processes on the national economy (the change in the size of the insurance installment from 3 to 1% was enforced in October 2007).

A problem, which currently is not a subject to development, relates to the criteria for access to the social security system as well as to the duration of the payment period in light of the altered economic environment. In other words, a revised vision is needed with regard to the behavior, which should be encouraged among unemployed people with regard to the labour market given the crisis conditions. The temporary income protection, as a measure aimed at active labour re-integration, should comply with the

actual conditions for successful intervention via the services (labour intermediation and the professional and educational qualification) of the labour offices. The idea to actively use the voucher system constitutes a step forward in that process; this notion has been developing in the public space for years now, but its practical utilization found a wider application in 2010.

## **2 Anti-crisis Measures During the Period July 2009 – April 2010**

The anti-crisis program for the specified period formulates new priorities and strategic goals.<sup>49</sup> The main priority is the overcoming of the negative effects of the economic crisis and rebuilding of the Bulgarian economy.

In 2009 the economic crisis found its clear reflection in the decrease in GDP by 4.2% during the first half of the year, the decrease in industrial production by 18.9% and the decrease in the turnover of industrial enterprises of 24.1%. Employment decreased by nearly 63 000 people (from 3 363500 people during the fourth quarter of 2008 to 3 300 100 people by the end of the second quarter of 2009). The number of the unemployed rose from 177 700 in the end of 2008 to 222 200 by the end of the second quarter of 2009, *i.e.* unemployment increased from 5% to 6.3%.<sup>50</sup> Hence, the influence of the crisis over the labour market led to a collapse in labour demand as well as to a rapid increase in unemployment. The set of anti-crisis programs and measures that Bulgaria's new government (elected in the middle of 2009) enforced covers the period July 2009 – April 2010.<sup>51</sup>

The approved set of measures includes 8 strategic objectives, amongst which the preservation of the existing and the opening of new working places in the sectors that are of strategic significance for the country ranks first. The other strategic objectives include legislative and normative measures aimed at decreasing the restrictions and

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<sup>49</sup> Economic Measures for Rebuilding of the Bulgaria Economy (July 2009-April 2010), Decision of Council of Ministers N772/1, October 2009.

<sup>50</sup> National Statistical Institute. Employment and Unemployment, 4/2009.

<sup>51</sup> Decision №772 for approval Economic Measures for Rebuilding of the Bulgarian Economy, CoM.

bureaucratic obstacles before the development of the Bulgarian businesses as well as measures for: attracting foreign investments; reformation of the public sector, the educational and healthcare systems; construction of national road and social infrastructure; overcoming the regional disparities within the country; modernization of agriculture and development of cultural tourism; establishment of energy- and resource-efficient lines of production; development of information technologies; prioritized development of new energy sources.

The set of anti-crisis measures is sub-divided into 8 sections as follows: measures for achieving sustainability of the macroeconomic system and stability of the financial system; measures for improving the business climate; measures for intensifying agricultural production; measures for construction of superior infrastructure; measures for stimulating employment and social security; measures for development of a knowledge-based economy and measures for effective management of European funds.

It becomes evident by its content that this set of anti-crisis measures specifies too many (a wide spectrum) and too ambitious economic development goals. This fact alone raises doubts about the possibilities for its successful implementation within the specified period. This plan is not implemented and does not meet its goals, not solely because of its excessive ambitiousness, but also because of the lack of financial resources, which ensure the execution of the reforms. Furthermore, the existence of discrepancies between the individual goals is also problematic. In fact, this document is, to a larger extent, a plan for economic development, which encompasses the entire mandate of the ruling cabinet, rather than an anti-crisis plan for a period of 10 months. It is undisputable that the probability of executing a given program successfully, incl. an anti-crisis program, is largely dependent upon the degree of concreteness of the formulated goals as well as upon the financial provision and the availability of qualified specialists. As a whole, this set of measures does not meet any of those three criteria.

With regard to stimulating employment and social security, the approved set of anti-crisis policies envisions 23 measures. Their great diversity impedes the systematization of the efforts, which would contribute to countering the decrease in labour demand, to preserving and increasing the employment level and to achieving quicker re-integration of the unemployed, etc. Some of the specified measures do not possess an “anti-crisis” characteristic; one example is the establishment of a singular informational system for the supply and demand of labour, the professional qualification and re-qualification. It is undisputable that the establishment of such a system is a necessary prerequisite for the improvement of the functioning of the labour market and of the effectiveness of its regulation. However, this mechanism is intrinsic to the labour market and cannot be established within ten months as an anti-crisis measure. In other words, a formal approach has been assumed with regard to the definition of the specific anti-crisis measures and of the understanding of the “anti-crisis” characteristic of this plan as opposed to an approach centering on planning the operation of the institutions on the labour market.

The measures aimed at the expansion of the social services with such that create new working places can be characterized as typical anti-crisis policies as can the following: professional education for the employed and the unemployed and the introduction of the voucher system for the purposes of improving their professional qualification; limiting the access of the foreign labour force to the domestic labour market; encouraging labour mobility.

Alongside all these measures, the anti-crisis plan contains a series actions aimed at the improvement or the expansion of the legislative basis of the labour market; amongst them, the draft laws for the regulation of work done from home and of distance employment should be noted.

As mentioned earlier, the approved program is not implemented successfully and does not contribute to a significant change in the condition of the labour market. Its execution is not monitored; an analysis of its execution has not been conducted and neither have its effectiveness been evaluated.

Meanwhile, demand for labour continually decreases as a result of the crisis and unemployment continues to rise. In practice, after April 2009, when the period encompassed by the anti-crisis program analyzed above expires, the country is left without an anti-crisis program for the labour market and for the economy as a whole. The political messages presented to the community assert that the realization of the government's program will contribute to finding a way out of the crisis and that the country is in need of a special anti-crisis program. The decrease in the social security burden by two percent should also be included here as this measure is anticipated to lead to the opening of 100 000 working places.

By the end of 2009, employment decreases to 3396.1 thousand people (from 3470.4 thousand in the end of the second quarter and 3486.8 thousand people in the end of the fourth quarter of 2008). In other words, employment decreases by 90.7 thousand people on an annual basis and by 74.3 thousand people in comparison to the second quarter of 2009. Towards the end of 2009 the unemployment level reaches 8% (5.1% in the end of 2008 and 6.4% in the end of the second quarter of 2009). Hence the need for a special anti-crisis plan becomes ever more pressing; it becomes apparent that purposive measures are needed for the purposes of achieving positive economic development.

In response to the dynamically changing external and internal environment, within which the labour market functions, and to the challenges brought about by the crisis, the quest for new policies and forms of impact continues. As a result, in the end of 2010, the government approves a new set of 46 measures, which will be developed with the financial support of the euro-funds (to the amount of BGN 850 million) within the framework of Operative Program "Human Resource Development". This new policy set includes the following measures:

- Programs for training of unemployed people as mediators in labour offices, which work with high-risk groups;

- Training programs of the employed, conducted by employers as a means to preserve employment;
- Programs for professional qualification of the employed with the aim of preventing unemployment;
- Increasing the suitability (for the purposes of employment) of specific vulnerable groups.

### **3. Third Set of Anti-Crisis Measures (March 2010)**

The deepening of the crisis, in conjunction with the pressure exerted by labour unions and employers as a means to foster the formulation of more purposive measures aimed at decreasing the crisis' negative effects, result in the preparation of a new anti-crisis program. The program was approved after series of lengthy and complex debates by a trilateral council, while the set of measures itself includes recommendations of both employers and labour unions.

The program contains measures in support of the treasury, such as: measures for limiting public expenditures; measures for reinstatement of the country's financial discipline; measures for ensuring an additional financial resource for the real sector; measures in support of household incomes; labour market policies and policies in support of the social security system. The total number of the approved measures is 59, out of which 10 concern the labour market sphere.

The specified measures, which relate to the labour market sphere, are more clearly defined in comparison to the preceding set of anti-crisis policies; they address specific problems and outline the anticipated impact. A positive characteristic of this set of anti-crisis measures is the clearer source of financial resources of the programs, namely the Operative Program "Human Resource Development" and the state budget. The program also clearly specifies the budget for each individual approved measure.

More specifically, the measures designed to influence the supply and demand of labour have the following goals:

- Maintaining the level of employment in companies where production and the realization of the finished goods has been impeded through the introduction of a flexible scheme for organization of working hours;
- Specific leave of absence for economic reasons;
- Guaranteeing the rights of workers that have been let off to receive, upon implementation of the measures for flexible and adaptive working hours, the compensations they are due under the LL (*labour laws*) on the basis of the gross salary as specified by the labour contract for the month preceding the introduction of the flexibility measures;
- Expanding subsidized employment as defined by the National Employment Plan;
- Prolonging the permissible term, during which the employee can temporarily perform another job within the same company or in another company from 45 to 90 days for the period until the end of 2011;
- Establishment of a system for monitoring and distribution of the qualified labour force at the sectoral and territorial level with the aim of increasing the mobility of the labour force.

These are only part of the measures, which the third anti-crisis plan envisions with the aim of mitigating the negative effects that the crisis has had on employment.

Meanwhile unemployment continues to rise and by the end of the third quarter of 2010 the number of the unemployed people in the country reaches 326 600, while the unemployment coefficient increases to 9.5%. In comparison to the third quarter of the preceding year, the number of people without a job rises by 92 000 people, while the rate of unemployment increases by 2.8%. The fact that out of all unemployed citizens more than 3/4 have held a job during the last 8 years, but have lost it as a result of

firings, layoffs or exclusion from temporary or seasonal employment is indicative of the magnitude of the crisis' impact and the restructuring of employment.

In response to the continuing challenges posed by the crisis and given the dynamically changing external and internal environment the government undertakes new measures aimed at stabilizing the labour market. The set of new measures, which was approved in the end of 2010, contains programs for qualification and employment and will be financed by European funds within the framework of the "Human Resource Development" program to the amount of BGN 859 million. The set of anti-crisis measures envisions diverse schemes for:

- Training unemployed citizens in becoming mediators at labour offices, which work with specific vulnerable groups;
- Employment preservation through training of employed people for the purposes of re-qualification;
- Re-socialization of specific high-risk groups on the labour market through qualification and training.

#### **4. National Development Program and Bulgaria 2020 Strategy – Hope for a Better Development**

The National Employment Plan 2010 defines the following goal for the country's employment policy: "increasing the quality of the labour force by maintaining the level of employment, decreasing unemployment and stabilizing the labour market." The vision of the National Employment Plan 2010 is formulated as follows: "decreasing unemployment by ensuring that labour demand is met by a qualitative labour force and through the inclusion in employment of disadvantaged groups on the labour market".<sup>52</sup> In the short-run, the goals of the national policy center on anti-crisis measures and on further economic restructuring in the direction of establishing a

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<sup>52</sup> National Employment Plan 2010 and 2011, <http://www.mlsp.government.bg/bg/docs/NPDZ-2011.pdf>

knowledge-based economy and encouraging social inclusion. In the medium- and long-term, the policy's efforts are aimed at the creation of conditions that are conducive to the realization of smart, sustainable and inclusive growth. In that sense, the labour market policies presented in the annual action plans constitute elements of the "Bulgaria 2020" strategy.

The National Employment Plan 2010 set quantitative parameters that, given the crisis conditions, could not be achieved. They include goals such as: an employment level of 61.5% for the segment of the population between the ages 15-64; 58.5% employment rate for women; 24% employment rate for youngsters (ages 15-24); 45.5% employment rate among adults (ages 55-64); an unemployment level of 11.4%; ensuring a "new start" (within 4 months) for 21% of the registered unemployed people below the age of 29; finding a job and conducting training for 38 521 people (out of which 24 740 are placed at a new job and 6032 have passed training within the framework of the active labour market policy). The extent to which the enlisted goals have been achieved cannot yet be commented upon due to the lack of annual data.

The National Action Plan on Employment 2011 presents new goals, which fall within the framework set by the Europe 2020 strategy. The feasible national targets within the context of these goals are quantified as follows: 66% employment level for people between the ages 20-64; 23% employment rate for youngsters (ages 15-24); a 44% employment rate among adults (ages 55-64); average annual level of unemployment of 9.4%; ensuring a "new start," within 4 months, for 25% the registered unemployed youngsters below the age of 29 and within 12 months for 30% of the registered unemployed; providing, via the utilization of active employment programs, employment to approximately 35 000 people, 29 000 out of which are to be placed at new jobs and nearly 6 000 people are to pass training.

The political approach should center on an active dialogue within the framework of the EU and between the social partners in the country as well as on administrative

reforms and effective legal actions aimed at ensuring the sustainability of the implemented policies

The following strategic goals have been specified: preserving working places and opening new ones in strategic lines of economic activity; limiting the bureaucratic obstacles and stimulating the local and international business through legislative changes; restructuring the public sector (education and healthcare) so as to ensure qualitative reproduction of human capital; development of the national and social infrastructure as a factor for achieving social integration within the Bulgarian community; decreasing regional disparities; modernizing the Bulgarian economy through the development of ecologically clean agriculture and cultural tourism; restructuring the economy through the development of energy- and resource-efficient industries based on new technologies; development of new, primarily renewable and low-carbon energy sources; development of information technologies.

The realization of these goals is linked to the respective restructuring of the labour force; its qualitative development is a factor for the achievement of the enlisted goals and a necessary prerequisite for their implementation and development. That necessitates the purposive influence of individual labour market segments through specific policies and measures.

The solutions to some of those issues are embedded in the anti-crisis sets of measures in the form of active policies and programs aimed the replacement of schemes for temporary employment of high-risk groups with programs and measures, which ensure sustainable employment, a diversification of the services provided to unemployed citizens by labour offices and the development of an information systems for labour supply and demand. Such policies include: a “new start” program for employment and training of unemployed youngsters; supporting labour mobility inside the country; legislative changes aimed at the better regulation of labour conditions, work from home, distance employment, etc.

In conclusion, it should be pointed out that after ten years of stable economic growth (1998-2008), in 2009 the financial crisis reversed the trends and the economy entered a state of crisis. GDP and employment levels decreased and the growth rates became negative. The deficit in the state budget increased as a result of the low level of income and the rising public expenditures. Unemployment rose and additionally affected household budgets through the decrease in wages, the freezing of pensions and the decrease in social security payments provided to families at poverty risk.

Given those problems, maintaining the financial stability of public finances is one of the main priorities of the set of anti-crisis measures for the period June 2009 – April 2010. A series of ambitious tasks are included therein, alongside preserving the stability of the currency board and the fixed exchange rate between the Euro and the Lev, which are necessary steps towards the country's accession to the Eurozone and the introduction of the Euro.

As the crisis developed, it affected the revenue side of the budget to a considerable extent. The anticipated improvement of the collection rates of fees and taxes was not evidenced; the expenditure side of the budget was not restructured, but was predominantly a subject to reduction. More concretely, the maintenance of financial stability through a 15% reduction in spending in 2009 and another 15% reduction in 2010, the decrease in the number of the administration (ministries and agencies) by 15-20%, the preservation of the value added tax and the improvement of the control over the financial system represent diverse lines of impact, some of which have a direct negative effect on the labour market.

Despite the outlined measures and efforts aimed at maintaining a balanced budget, the pressure exerted by the public finances led to an actualization of the state budget in the spring of 2010 and to an increase in deficit from 1.7 to 3.7%.

The goal of the national reform programs to decrease the macroeconomic disparities during the period 2011-2012 is closely linked to the need for active administrative reforms and the restructuring of the educational and healthcare systems.

Undoubtedly, the restructuring of the economy is a step forward towards an increase in budget revenue. The decrease in employment and the increase in unemployment constitute an inseparable part of the problem before the achievement of a macroeconomic balance. The decrease in social security installments by 2% in 2009 was associated with a preservation of existing working places and the opening of new ones. These expectations were not fulfilled – in 2009 and 2010 unemployment in the country rose significantly, while the dynamic of the number of working places remained minimal.

Maintaining tax levels is considered to be one of the important anti-crisis measures aimed at stimulating the business. The implemented policy regarding the credit conditions and the actualization of national standards for food, meat and dairy production are also considered to be measures to that effect.

Some of the specified priorities in support of the macroeconomic balance carry risks of furthering the segmentation of the labour market. For example, the effects of the improvement of the transport and social infrastructure, which is one of the main priorities of the respective policy will, given the crisis conditions, cause the opening of new working places, predominantly for the male segment of the labour force. This fact will in turn further the disparity between the two genders in the labour force with regard to the levels of employment, unemployment and income. In addition, the reforms in the educational and healthcare sectors as well as the prioritized reforms aimed at strengthening public finances will mostly affect the women since they make up the larger segment of the labour force employed in those two sectors.

## **CHAPTER FOUR. EVALUATION OF THE EFFECTIVENESS OF THE IMPLEMENTED ANTI-CRISIS MEASURES**

The decrease in the volumes of production as a result of the crisis leads to a decrease of employment and an increase of unemployment. The strength of the impact of the decrease in the volumes of production over the level of employment is, however, affected by a series of factors, among which the productivity of labour is of considerable importance. In the economic literature the studies of those relations (including during the crisis period) indicate that the influence of the volume of production over employment in labour intensive lines of production has a clearer and more direct impact, while in the capital intensive sectors the effects are more moderate. That is why hourly productivity and the dynamic of the hours worked are two of the “buffers” against the crisis’ impact over employment<sup>53</sup>. In that sense, the decrease in the number of man hours worked and the utilization of shortened working hours schemes are part of the mechanisms, with which the crisis’ effects over employment are mitigated.

The active labour market policies, the early retirement schemes, and the flexibility of the labour market and the degree of liberalization of the hiring and firing of the labour force also play the role of buffers against the crisis and more specifically facilitate the transfer from employment towards unemployment.

In view of that, it can be asserted that the ALMP policies, which the countries implement have differing economic and social effects depending on the chosen buffers and their efficiency in view of the interaction within the economic and social environment.

The policies that the governments implement in the sphere of labour relations are subject to periodic evaluations aimed at tracking their effectiveness. As is well-known, the economy is a complex system of interrelated components; hence the

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<sup>53</sup> Leschke, J., A. Watt. How do Institutions Affect the Labour Market Adjustment to the Economic Crisis in Different EU Countries? Working paper 2010.04, European trade union institute, [http://www.global-labour-university.org/fileadmin/GLU\\_conference\\_2010/papers/36.\\_How\\_do\\_institutions\\_affect\\_the\\_labour\\_market\\_adjustment\\_to\\_the\\_economic\\_crisis\\_in\\_different\\_EU\\_countries.pdf](http://www.global-labour-university.org/fileadmin/GLU_conference_2010/papers/36._How_do_institutions_affect_the_labour_market_adjustment_to_the_economic_crisis_in_different_EU_countries.pdf)

effects of the policies implemented in a given field transfer directly or indirectly to the entire system. Those effects can often be contradictory, which places the institutions that make political decisions in front of a dilemma regarding the selection of one policy over another. An indicative example is the strong financial consolidation policy applied alongside the policy to support employment within the current crisis conditions.

The governments of the EU member-countries financed the anti-crisis policies with substantial resources from their national budgets. Nonetheless, they received significant additional financial support from the EU funds. The fact that sizeable financial resources were allocated for the purposes of softening and decreasing the negative impacts of the crisis caused an increase in expenditures for the labour market by two times in comparison to the ordinary level. For example, during the period preceding the crisis, the employment policy expenditures amounted to 1.6% of GDP or EUR 200 560 million (2008). This level varies notably between the individual countries; the ranking places Belgium at one of the first places with labour market expenditures amounting to 3.3% of GDP, while the lowest levels of this indicator are registered in Romania and Estonia – less than 0.25% of GDP.<sup>54</sup> The extent to which these expenditures have had the much needed effects and the degree to which they have contributed to an amelioration of the crisis' unfavourable impacts is a question, on which the attention of researchers, politicians and the community in general is now focused.

As already mentioned, the policies on the labour market include three main components: (a) supporting policies (passive interventions, incl. support for income outside of employment and schemes for early retirement), (b) labour market policies (active interventions, incl. training, job placement, employer incentives, direct expenditures at the working places, employment stardom incentives, etc.) and (c) labour market services. In 2008 the proportion of these three types of policies is as follows: 0.19% of the GDP of the EC-27 is directed at labour market services; 28%

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<sup>54</sup> Eurostat. Labour Market Policy Expenditure. – Statistics in Focus, 66/2010.

goes to active policies and 52% is attributed to supporting policies on the labour market. More specifically, in 2008 the expenditure structure of the EU-27 includes: 39% of all expenditures are for trainings; 24% are directed at the creation employment incentives; 16.1% are used for employment and rehabilitation support; 13.4% are used for direct work place creation and 7.2% for support to starting activities for employment.

## **1. Evaluations of the European Anti-Crisis Programs**

The evaluations of the effectiveness of the implemented anti-crisis programs are not uniformly detailed – they can compare aggregate labour market indicators, but they can also elaborate on changes in specific parameters on the basis of mathematical and statistical interdependences. The current study will proceed to summarize several of the conducted evaluations.

The most general criterion used for the evaluation of the effectiveness of implemented policies is the comparison between the labour market policy expenditures and the change in the number of the unemployed. The studies conducted on the basis of the comparison between these two indicators in the EU member-countries in 2005 and 2008 indicate that a direct correlation between them exists; in the countries where unemployment rises, an increase in expenditures for labour market policies is also registered. Meanwhile, there are some exceptions from this rule; in some countries policy-related expenditures rise in the absence of an increase in unemployment, as this is the result of on-going reforms on the labour market. That is why, the evaluation of the effectiveness of implemented policies on the basis of the comparison between the changes in the number of the unemployed and the changes in labour market-related spending “should not neglect the impact of other economic and historical factors.”<sup>55</sup>

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<sup>55</sup> Gagel, S. Population and Social Conditions. – Statistics in Focus, Eurostat, 66/2010.

On the basis of the experience accumulated during preceding crisis periods, the EU report “Employment in Europe 2010” presents analyses and evaluations of the effectiveness of specific policies from the anti-crisis sets of measures that have been implemented in the member-countries.

One of the popular anti-crisis measures is the short-time working arrangement (STWA) as a preventive measure aimed at maintaining employment levels. It is widely used in a number of member-countries during crisis conditions, including the current crisis. On the basis of studies examining the experience of France (from the period 1996-2004) and Germany, it can be concluded that this anti-crisis measure has the effect of temporarily maintaining employment whenever the working time contains the standard working hours so that their decrease may in turn have a notable effect. The general conclusion, however, is that there is still no singular answer to the question whether the employment, which is preserved via the shortened working hours measure in times of crisis, continues to exist after the crisis<sup>56</sup>. In that sense, maintaining employment levels through shortened working hours and by increasing the internal flexibility of the labour market can be evaluated as favorable anti-crisis measures with a positive initial effect on employment. However, if the crisis deepens and its overcoming necessitates the restructuring of employment, then temporary employment constitutes a step towards exiting employment and hence entering unemployment rather than towards the very opposite, namely full-time employment.

- **Temporary Wage Subsidies Schemes**

As an anti-crisis measure, the provision of **temporary wage subsidies** is aimed at smoothing the adaptation of employment to the volume of production and it often targets the protection of employment within high-risk groups. This measure is widely implemented during the current crisis, but the duration of its application and the specific groups it targets vary across member-countries. It is a social measure in as far as it maintains employment levels amongst high-risk groups on the labour market.

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<sup>56</sup> Employment in Europe 2010, p. 81-83.

While this measure helps to preserve the employment of the low-qualified segment of the working force, given a low level of elasticity of labour demand in comparison to the working salaries, its effect is marginal. The positive effect of this scheme relates to the possibilities for groups of people, which are associated with a high degree of risk from the standpoint of employment, to accumulate experience and gain professional qualification. In that way, the measure improves the possibilities for transfer towards more sustainable forms of employment. Another positive aspect of the measure relates to the possibilities that it provides for maintaining and increasing employment at the micro-level.

This scheme has some negative effects as well – subsidized employment disrupts the market behavior of the agents that demand and supply labour as it alters the costs and benefits of the sale and purchase of labour. The so-called “deadweight” effect occurs; the measure preserves the employment of workers, who could find work even without participating in the discussed scheme. This measure also provokes other effects, via which employment on equal footing is replaced by employment within the framework of the scheme (the so-called screaming effect); it gives employment within the framework of the temporary subsidy scheme an advantage over any form of employment that is outside of this scheme. In other words, it disrupts the principle of equality on the labour market. The momentary financial situation is also of considerable importance for the implementation of the measure. Usually, financial restrictions direct such schemes towards a certain kind of employment and do not encompass overall employment. In view of those negative effects it can be concluded that the measure is applicable to specific high-risk groups of workers and is to be implemented temporarily.

- **Decreasing Indirect Labour Expenditures**

The temporary decrease of social security expenses is an instrument used to alleviate the negative effect that the crisis exerts on employment and social unity. This is usually done for specific groups of people, which find themselves in a high-risk

position on the labour market, such as disabled people, youngsters, long-term unemployed, or for individual sectors – for example, the small- and medium-sized enterprises.

Meanwhile, this form of labour market intervention also has negative effects since it disrupts the normal competitive market environment and creates a “deadweight” effect, *i.e.* it provides protection to some groups that are not in need of such.

There are several different ways of making use of this anti-crisis measure as follows: decreasing the unemployment installment payments for both employers and workers (used in Germany in 2009); decreasing social security payments (in 2010 in Hungary they decreased from 32 to 27% for all working salaries below a specified level); revoking social security payments for a specified period for new working places (Ireland); decreasing social security payments for enterprises that have 10 employees or less and hire low qualified workers (France); revoking social security payments for employers that hire long-term unemployed workers (Portugal); reimbursement of social securities to employers that hire unemployed people below the age of 26 and above the age of 55 (Slovenia) and others. The above examples indicate that the policy has a rightful place within anti-crisis sets of measures. The exceptional diversity of its specific manifestations highlights its flexibility in view of specific national goals, which constitutes a noteworthy advantage of the measure.

- **Subsidized Employment in the Public Sector**

This is a widely used measure, which, in crisis conditions, aims to support the employment of particularly vulnerable segments of the labour force, such as the low qualified workers (Lithuania) and the youngsters (England). The evaluation of this measure is not something new since this scheme has its own history. Its positive aspect is the creation of employment in times of economic decline. However, its limitations stem from the financial restrictions as well as from the fact that the prolonged application of such a measure distorts the labour demand proportion between the public and private sector.

## • Encouraging Self-employment and Entrepreneurship

Approximately 20 million small- and medium-sized enterprises (99% of all companies) operate in the EU; they provide employment to nearly two thirds of the active labour force and generate around 60% of the value added.<sup>57</sup> These facts highlight the importance of this sector and the need for special programs, with which to support its development in crisis conditions. The matter is particularly pressing in view of the fact that the sector lost around 450 000 self-employed workers during the period 2008-2010 (first quarters).

In the EU member-countries the schemes for encouraging self-employment and entrepreneurship are implemented in different ways (make use of different formats) as follows: provision of subsidies for starting one's own business (Estonia, Finland, Latvia, Poland, Portugal), which can also be directed at special target groups; conducting various forms of training; health insurance discounts (Slovakia); capitalization of unemployment benefits (Spain); provision of credits (England); tax discounts on the incomes of self-employed workers aiming to renovate their homes (Germany), etc.

In March 2010 a European micro-financing fund to the amount of EUR 100 million was created at the European level for a period of four years with the possibility of increasing its total amount to EUR 500 million. The fund allows for the realization of joint initiatives with financial institutions and primarily with the European Investment Bank. In 2008 nearly 770 000 people participated in those schemes and received EUR 4.1 million or 0.03% of the European gross product.

The evaluation of these schemes, however, takes into consideration the fact that the opening of working places via such measures is a process, which produces effects in the medium- and long-run, especially given the difficulties relating to the start of a new business in times of economic recession. The fact that the provision of support to

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<sup>57</sup> Ibid, p. 87.

a part of the business disrupts business competition should also be noted as a disadvantage of such schemes.<sup>58</sup>

- **Improving Professional Qualification and Re-qualification**

The professional qualification and re-qualification measure has a priority in anti-crisis programs since the crisis conditions the intensive restructuring of the economy, the closing of working places as well as changes in the qualitative parameters of labour supply on the labour market. That is why the forms as well as the organization of the services in relation to the improvement of qualification and re-qualification are a subject to actualization in the EU countries. This entails decentralization of those services, increasing the flexibility of the organization of the services, decreasing the period for granting access to training, addressing the specific groups that make use of those services and combining training with employment at shortened working hours. The ways in which the EU countries implement such measures are quite diverse – the include voucher systems, preventive training for employees in risk of losing their job, concentration of training on high-risk target groups, tax credits for training, development of apprenticeship training schemes and others.

This scheme can be evaluated as having a positive impact in as far as the renewal and modernization of the qualification of the labour force is an important element needed for achieving a better balance between labour demand and labour supply. The professional qualification and re-qualification measure is also important for increasing the effectiveness of labour demand in view of the fact that the more highly qualified segment of the labour force has a better chance of timely reintegration on the labour market. The schemes for qualification and re-qualification can fail to produce the desired effect if the preparation of the training process is not coordinated with the demands for certain types or quality of labour. These schemes can be strongly influenced by individual expectations and decisions and in such cases the risk relating to their effectiveness increases.

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<sup>58</sup> Ibid, p. 88.

- **Support for Household Incomes**

The changes in the amount and duration of the received unemployment benefits are yet another scheme aimed at impacting employment and unemployment in crisis conditions. As a means to support the household incomes of people that have been laid off, a series of member-countries made use of this measure and increased the amount of the provided unemployment benefits (Belgium, Austria, Poland, Holland) or the duration of their provision (Latvia). Other countries instituted changes in the conditions regulating the access to unemployment benefits by decreasing the period of employment required for granting access to such benefits (Slovenia, Finland, France). In some countries the entire scheme, which governs the access to the system was changed (Sweden, Romania, the Czech Republic). As a whole, the support for household incomes became a more widely used measure aimed at maintaining the purchasing power of the households in 2009 and 2010.

Clearly, the implemented anti-crisis measures do not have a unidirectional effect and the respective evaluations differ in relation to the timeliness and duration of the application of those measures. It is worth noting the results of a recently developed model of the EU labour market, which includes six countries (Denmark, Germany, Italy, Austria, Poland and England) and makes an attempt at evaluating the subsidized labour remuneration and the shortened working hours schemes. The conclusion reached is that the measures exert a positive influence on the level of employment. The implementation of these measures decreases the pressure associated with remuneration and leads to an increase in labour demand. On the supply side, the measures lead to an increase in the supply of labour, *i.e.* they improve the positions of people outside of the labour market by increasing their activeness with regard to participation therein. As an end result, employment increases and the unemployment rate decreases. Nonetheless, from the standpoint of the budget, this is an expensive measure. That is why, it is necessary to address precisely those groups, whose employment is in need of support.

It can also be concluded that some of the measures are more effective during the initial phase of the economic decline (shortened working hours), while others are more successful in stimulating the demand for labour during the phase of economic recession (temporary subsidies). Furthermore, some of the measures (subsidized employment) address the most marginalized groups on the labour market as well as socio-economic effects, which should be compared to the fiscal restrictions they provoke. When evaluating this type of measures, the reverse effect that they have on labour demand in the private sector should also be taken into consideration. Hence it is necessary to conduct regular evaluations and adopt a flexible attitude when implementing the discussed measures.

## **2. The Bulgarian Anti-Crisis Measures and Their Effectiveness**

The standard administrative practice for evaluation of the effectiveness of policies implemented within the country is to conduct monitoring and valuation of particular indicators, which reflect the degree of compliance of the achieved results with the specified goals and desired parameters relating to the target group as well as with the acceptable amount of exhausted resources. Besides the already mentioned on-going evaluation, this practice also includes special studies for evaluation of the effectiveness of the implemented programs, which make use of diverse statistical and econometric instruments.

The sets of anti-crisis measures, which were implemented in the country, are primarily a subject to continuous evaluation. In 2010 the MLSP invited the International Labour Organization to conduct an audit of the enforced policies, but the results did not become available to the public. An evaluation of the effectiveness of intermediary services for employment (gross and net effect of the provided services) has been conducted, but this evaluation does not fall within the context of the anti-crisis measures. Regardless of that, the results from it constitute a sound basis

for the formulation of conclusions about particular aspects of the active labour market policy.

The goal of this part of the study is to conduct a secondary expert evaluation of the effectiveness of a part of the anti-crisis measures, utilized in the country, on the basis of the information, which has been made available by administrative accountancy, scientific studies and recent statistical reports.

- **Active Labour Market Policy Expenditures**

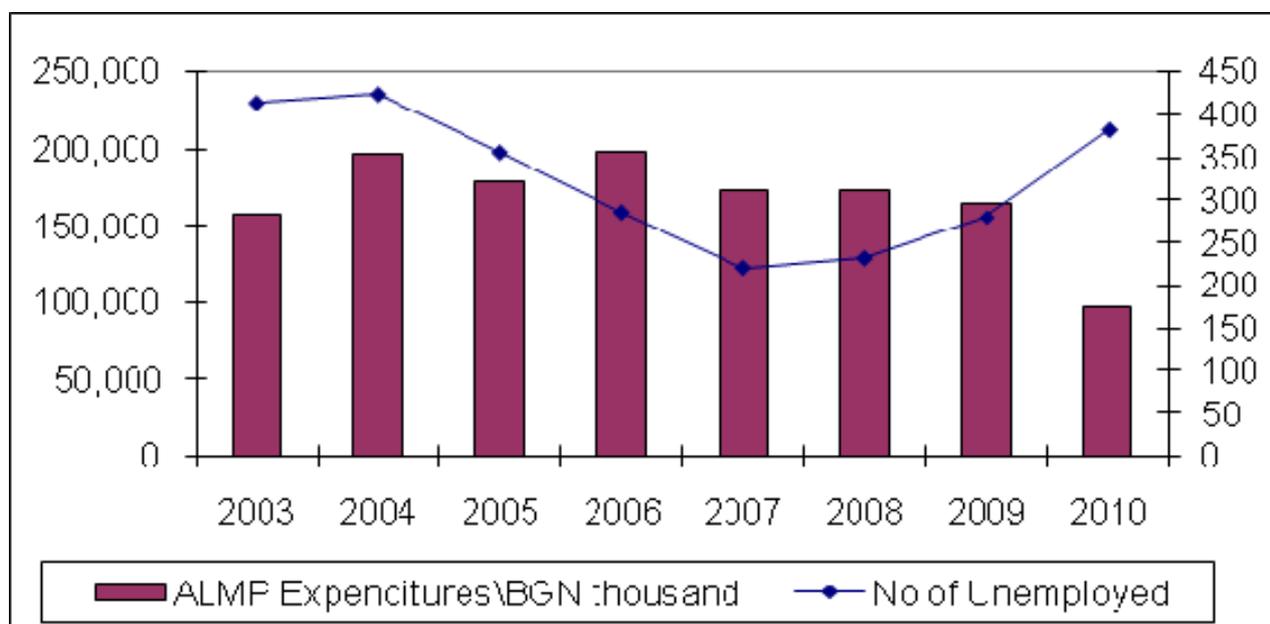
A general evaluation of the labour market programs and measures and of their effectiveness can be conducted through the comparison of the fluctuation in active labour market policy expenditures and the dynamic of the number of the unemployed. The expenditures for active policies on the labour market in the country increase since the beginning of the decade and up until 2008.

For example, their amount increases from BGN 157 million in 2003 to BGN 189 million in 2006. Afterwards, in 2009 these expenditures decrease to BGN 163 million. In 2010 the amount spent drastically decreases – to BGN 97 million as a result of the financial restrictions and the implemented policy of strict financial consolidation. The decrease in expenditures for active policies on the labour markets takes place in a time period when the unemployment level increases as does the number of the unemployed – it rises from 6% in 2008 to nearly 10% in 2010.

There is no strong statistical correlation between the fluctuations in active policy expenditures and the rate of unemployment. The calculations indicate that for the period 2003-2010 the correlation coefficient is 0.2114. This fact reflects a certain difference in comparison to other EU member-countries where the correlation between expenditures for active policies and the number of the unemployed is strongly pronounced.

Figure 9

### Fluctuations in Expenditures for Active Labour Market Policies and Dynamic of the Number of the Unemployed



Source: Data from National Statistical Institute and Employment Agency.

As a result of the decreased amount of financial resources for active policies, a drastic decline in the number of participants in such programs is evidenced in 2010 alongside an increase in the number of the unemployed. In fact, only 12% of unemployed people are included in active labour market policies. For example, “the monthly average number of people who have worked on active labour market policy measures and programs is 27 202, which is over two and a half times less than during the same period of 2009<sup>59</sup>”. In practice, the budget restrictions constitute a serious restrictive framework for development of active labour market policies precisely within conditions, in which the greatest number of people are in need of support and inclusion in programs aimed at swifter labour re-integration.

According to administrative accountancy data, the number of new persons who have been included in employment programs, measures and training is nearly two times lower in comparison to the preceding year and amounts to 58 862. The number of persons who

<sup>59</sup> Yearbook 2010. Ministry of Labour and Social Policy, Employment Agency, 2010, p. 41.

have worked on training and employment programs decreased (by 31 259 people) as did the number of persons engaged in the preparation of supporting measures in compliance with the Encouraging Employment Act (EEA) (by 15 510 people). During the nine months of 2010, the number of new persons who have been included in programs and measures for employment and training amounts to 42 154 people; it decreases by 61 628 people (around two and a half times) in comparison to the same period of the preceding year. In comparison to 2009, 49 874 fewer people have been included in employment programs and 11 754 fewer persons have been granted access to preferential measures in compliance with the Encouraging Employment Act. This conclusion retains its validity throughout 2010.

- **Evaluations of the Individual Anti-Crisis Policies on the Basis of Administrative Accountancy and Current Statistical Information**

As already mentioned, the first set of anti-crisis labour market measures was implemented in the end of 2009 and the beginning of 2010 when the crisis began to manifest. The set included measures for shortened working hours, for provision of support to the small- and medium-sized businesses, for supporting the restructuring of particular lines of production in sectors, which have been most gravely affected by the crisis as well as measures aimed at increasing, through training and re-qualification of workers, the adaptability of the labour force in view of the dynamically changing conditions.

The administrative accountancy provides data both about the exhausted resources and about the number of people who have participated in the individual programs. For example, in 2009, 531 employers have made use of the shortened working hours program, 19 485 workers have received compensations for the shortened working time; the total amount of the benefits paid is BGN 5 793 700. In 2010, according to data from the Employment Agency, the number of employed persons who have received compensatory labour remuneration as a result of shortened working hours is

6188.<sup>60</sup> Information about the number of employers, who have made use of that measure and about the total amount of benefits paid, is not provided. The scarcity of the available information allows for the formulation of limited conclusions relating to the fact that in 2009 the program has made a considerable contribution towards decreasing the tension on the labour market and that in 2010 its functions are attenuating. In principle, this program is of a palliative nature and hence only has an effect in the short-run.

Evaluations of the effectiveness of the initiated program for provision of credits to small- and medium-sized enterprises via a grant to the amount of BGN 500 million provided to the Bulgarian Bank for Development can be conducted by using indirect indicators. The provided credits were expected to support those enterprises in prolonging the development of their respective activities and in hiring and including more people in the production process.

According to the available information, 636 small- and medium-sized enterprises received credits to the amount of BGN 350.6 million and 605 farmers received credits to the amount of BGN 81.8 million. The majority of the credits (250 credits) are for amounts between 100 and 500 thousand BGN, and 167 credits are for amounts of up to 100 000 BGN. This means that SMS enterprises do not assume the risk of a more radical restructuring of their business, but only credit as a means to alleviate the financial pressure. The data do not indicate whether the credit lines support employment and its stability; on the contrary, the sector still occupies the most vulnerable position given the crisis conditions. It could not play the role of a “buffer” against the collapse in employment, which amounted to nearly 300 thousand working places.

The set of anti-crisis measures includes a further BGN 27 million to be provided to Bulgarian employers as a stimulus to keep their employees; BGN 196 million is the amount of the grant provided for the purposes of supporting the continuation of the

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<sup>60</sup> The compensations are paid in compliance with Ordinance No44 of the CoM.

technological modernization of the enterprises; BGN 100 million are the resources envisioned for investments in the construction of modern business parks, which create more new working places and solidify the infrastructure.<sup>61</sup> The schemes relating to the utilization of these resources and, more importantly, the evaluation of their effectiveness remain publicly unavailable. Their effects over the labour market require purposive studies and such have not been announced or discussed in the public space. In other words, it can be concluded that the provision of resources by programs, which conduct no preliminary evaluation of the anticipated effects and for which post-factum effectiveness evaluations have not been conducted, constitutes an unsound practice even when utilized as an anti-crisis measure.

- **Evaluation of the Effects of Removing the Unemployment Benefits Ceiling as a Measure Aimed at Income Protection**

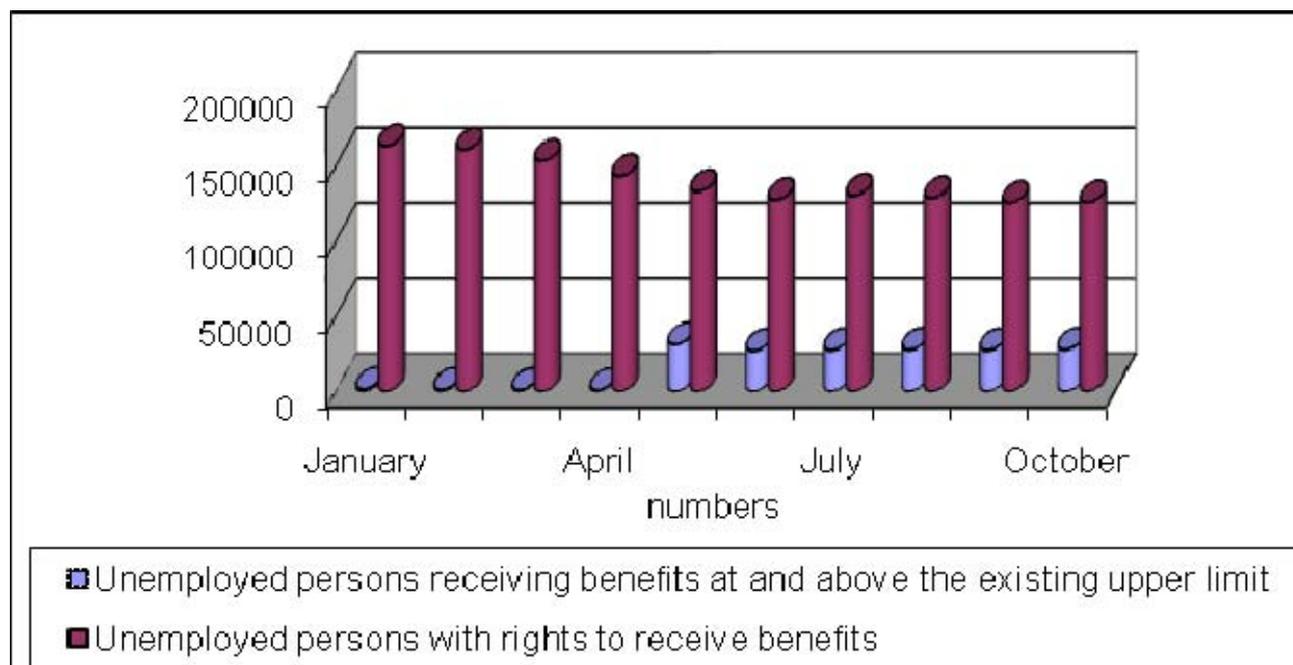
One of the anti-crisis measures, which have been utilized since the middle of 2010, is the abolition of the unemployment benefits ceiling (of BGN 240 or EUR 120). According to that political decision, as of July 2010 the benefits provided amount to 60% of the personal gross insurance income, while the maximal amount of the insurance income is BGN 2000.<sup>62</sup> Goals behind that change include stimulation of legitimate employment, *i.e.* employment, for which social security liabilities are calculated and paid on the basis of actual income from labour activities. Meanwhile, social securities paid on a higher labour income basis means a higher monetary compensation in case of unemployment, *i.e.* a higher degree of income security against the unemployment risk. The greater benefits that the unemployed persons receive whilst paying social securities on the basis of their labour income, which has a ceiling of BGN 2000, guarantees a considerably better environment for them, within which they can organize their respective labour adaptation and reintegration.

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<sup>61</sup> For more information about the set of anti-crisis measures, visit:  
<http://www.tbmagazine.net/statia/antikrizisni-merki-na-drzhavata-v-podkrepa-na-biznesa>

<sup>62</sup> Amendments to the Code of Social Insurance, SG, May 2010.

The effects of removed upper limits of unemployment benefits



Data from the National Social Security Institute: <http://www.noi.bg/>

Figure 10 presented above illustrates the effects of the implemented changes and shows the “jump” in the number of the unemployed, who receive unemployment benefits, which exceed the previously existent ceiling of BGN 240.

The changes implemented as of June 2010 indicate that the number of the unemployed who receive unemployment benefits in accordance with the level of the fixed ceiling increases from 500 people in April to 27 500 in October 2010. Their share increases from 0.3% in April 2010 to 22% of all unemployed persons with a right receive benefits. It should be pointed out that the fixed unemployment benefit ceiling of BGN 240 caused income losses for approximately 27 thousand unemployed citizens, who paid higher social securities.

The discussion up to this point allows for the formulation of the conclusion that the removal of the fixed unemployment benefit ceiling has the effect of stimulating the payment of social securities over actual, higher levels of labour income; it further supports, for the duration of the benefits payment period, the incomes of people, who fall into “unemployment”.

## • Evaluation of the Effects of Employment Services

The evaluation of the effects of the employment services does not have a direct relation to the anti-crisis measures, but can provide a certain understanding about the effectiveness of the exact sort of services, whose main goal is the higher degree of mobility of the labour force and its effective professional realization on the labour market.

The study of the net and gross effectiveness of the employment services is conducted in 2010. The employed methodology includes surveying by using the “twin” principle, *i.e.* surveying people who have made use of the services provided by labour offices and such people that have not benefited from these services.

The results are indicative of the following gross employment effects: 61% of the unemployed persons, who have registered in labour offices and made use of employment services, have subsequently found work; 87% of them have found work at the primary labour market and 73.9% have found sustainable employment (*i.e.* they were still employed by the time the survey was conducted).<sup>63</sup> The presented gross employment effects suggest a pretty positive evaluation of the effects of intermediary services over employment; nonetheless, they are too general. That is why the study also features net evaluations of individual programs, which register the greatest net effect from: presented and utilized information about vacant working places (15.7%), inclusion in qualification/re-qualification training courses (6.9%) and provided advisory services relating to changes in profession and professional development (6.3%).<sup>64</sup> The general conclusion formulated on the basis of the evaluation is that the utilization of intermediary employment services increases one’s chance of finding work by 8.4%.

At least two main conclusions can be drawn about the labour market and the problematic areas therein. Firstly, the higher net effectiveness of the services relating

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<sup>63</sup> Kotzeva, M., Al. Tsvetkov. Main Results of the Evaluation of the Net Effect from Intermediary Employment Services. MSLP, June 2010, p. 31.

<sup>64</sup> *Ibid*, p. 32.

to the provision of information about vacant working places indicate that the informational flow between the main agents and the employers and employees on the labour market are not well developed. Secondly, the relatively low degree of mobility of the labour force is an obstacle before the achievement of a better balance between the supply and demand for labour on a national scale. The great unbalances on local labour markets are a characteristic, which has accompanied labour market development for more than ten years and is a consequence of the growing disparities in the degree of economic development of the regions and municipalities in the country.

## CONCLUSION

In the beginning of 2010 the European Commission initiated a wide discussion about the future development following the global crisis. The lengthy discussion process traces the route of the creation and approval of the European answer to the crisis and the need for a new “smart, sustainable and integrative growth”, which would ensure more competitive development in the future.

The priorities of the new growth are concentrated on the development of an economy, which is based on knowledge and innovations; a resource-effective, green and more competitive economy; an economy of high employment that ensures social and territorial unity.<sup>65</sup>

The set goals are linked to the transformation of the European labour markets and the restructuring of the economies and social networks in the context of other challenges that do not stem from the crisis, such as globalization, the depletion of resources and the aging of the population.

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<sup>65</sup> Europe 2020. A European Strategy for Smart, Sustainable and Inclusive Growth. EC, Brussels, 03.03.2010 COM (2010)2020.

The analysis presented in this book identifies the severity of the problems, which the crisis imposed on the dynamic and the structure of the European labour markets and the Bulgarian labour market in particular.

The analysis of the crisis' effects over labour markets and of the implemented policies aiming to alleviate the negative consequences from it allow for the formulation of the following general conclusions:

- The crisis notably affected the labour markets as it considerably decreased the demand for labour and drastically increased unemployment.
- The crisis has had a differing impact on the labour markets of the individual member-countries of the Community with respect to the decrease in the demand for labour, the closure of working places, the unemployment level, etc.
- Irrespective of the different impact, the crisis outlines some of the main labour market problems, which will be a challenge for the further development of the EU labour markets, as low participation rates, significant mismatches between demand and supply of labour, increasing segmentation in the labour markets.
- In some of the member-countries, where more sustainable recovery tendencies are evidenced, the demand for labour is reinvigorated particularly in sectors, production and activity, which did not play a determinant role on the labour market prior to the crisis. In other words, the crisis has contributed to a restructuring of the economies and a reallocation of the demand for labour, to which the supply of labour would need to adapt.
- The crisis highlighted the relatively low effectiveness of the functioning of intermediary services and the insufficient flexibility of the services relating to the provision of informational and technical support to people who have become unemployed or are at a risk of becoming unemployed.

- To a considerable extent, the financial consolidation, which was implemented in all member-countries, notably cut down the expenditures of the public sectors. Until now, it has contributed, to a higher extent, to the reduction of employment and employment-related services and less towards stimulating the restructuring of the systems and towards increasing their efficiency. The decrease of the average expenditures for active labour market policies in the EU to 1.6% of GDP is one example to that effect.
- In accordance with the duration of the crisis, the labour market reacts with measures, which comply with the short-term and long-term scenarios. The first scenario encompasses measures aimed at maintaining employment (flexible working time regimes and labour organization schemes as well as various systems for provision of training and social protection) and at the inclusion of unemployed in employment (programs for temporary employment, public investment projects for training of the unemployed). These measures become nonsensical in the countries, where the crisis prolongs considerably. That is why the measures envisioned within the framework of the long-term scenario should be timely implemented.
- The programs, which have a long-term effect, aim at *improving competitiveness* (through integrated training, access to credits, technical assistance and support to the small- and medium-sized business); *improving the services provided by the system for qualification and training as well as the respective infrastructure; improving the formation, training and inclusion in employment of the human capital and achievement of flexibility of the systems for protection and remuneration of the unemployed*. The implementation of such programs and policies leads to the a higher quality and better organization of the human resources, which would in turn not only allow for the swifter recovery of the economy from the negative crisis impacts, but would also constitute the groundwork for the achievement of higher growth in the longer-run.

- The relatively delayed recovery of the European labour markets is, to a certain extent, a consequence of the protection of working places and incomes via the implemented anti-crisis policies. These are the measures aimed at maintaining employment through various shortened working hours schemes as well as the measures in support of household purchasing power and the ones for decreasing the crisis' effect over the individual.
- The implemented measures for protection of labour markets and incomes and for social protection reflect the European social economy doctrine. Meanwhile, the crisis highlighted considerable differences between the levels of accessibility, duration and size of the social support provided in the member-countries; the difference is particularly sizable between the old and the newly joined countries. In the crisis conditions, the differing degree of establishment of the social protection networks as an accumulated capacity, financial resource and mechanisms for control and evaluation of the effectiveness, was highlighted particularly strongly. As a result, comparatively similar programs and schemes for protection had differing effects and induced different behavior for social and labour reintegration among the employers as well as among the unemployed. Only in a few countries those schemes stimulated active behavior for labour reintegration, while in others they failed to prevent the growing economic inactivity and the withdrawal from the labour market.
- To a certain extent, the protection of working places and people's incomes had a de-stimulating effect with regard to the timely reaction to the new market conditions with a more radical restructuring of the working places and the labour force.
- In comparison to what was evidenced throughout Europe, the Bulgarian labour market initially remains comparatively stable, which is predominately due to the fact that the country was affected by the crisis later. After that, the crisis strongly affected the labour market and the turnover point can be anticipated to be achieved later in comparison to the rest of the EU countries.

- The undertaken short-term actions in Bulgaria aim to diminish the negative effects that the crisis has had on the labour market and include a diverse set of measures and programs, which are quite well-known in the European practice and have proven their effectiveness. Indisputably, they contribute to the preservation of a moderate level of unemployment in Bulgaria in comparison to the one evidenced at the European level in 2008.
- However, the capabilities of the short-term measures for decreasing the crisis' effects on the labour market are being exhausted, while the stabilization and “rebound” processes only begin to outline after 2010. The delayed of the structural reforms and of lack of timely re-examination of the set of anti-crisis programs and measures, inevitably reflects negatively on the labour market. The anticipation for a prolonged stagnation of the labour market parameters need to be backed up with a complex program capable of counteracting unemployment, impoverishment and social marginalization.
- Some of the implemented “buffers” aimed at mitigating the impact that the decreased volumes of production and the services have had on employment are not up to date. The influence of the measures aimed at decreasing the transfers from employment towards unemployment has a diminishing effect. Currently on the agenda are the questions relating to the re-hiring of the unemployed and the ways to increase the level of activity of the economically inactive segment of the population. That is why updated programs with clearly defined goals and target groups are needed.
- The development of such a program is the responsibility and duty not only of the government, but also of the social partners, the civil society and country's scientific community.
- The forecasts about the development of the European labour markets and the Bulgarian labour market, in particular, are moderately pessimistic with regard to the goals set forth by the “Europe 2020” Strategy.

- Despite the positive growth values achieved in the end of 2010 and the beginning of 2011, the anticipated average growth rate of 1.5% for the period 2011-2020<sup>66</sup> for the EU27 will not be sufficient for the achievement of an employment growth that would ensure a level of employment of 75% among the population in the age group 20-65.
- The forecasted moderate growth for the specified period in the EU is insufficient for stimulating an increase in labour demand and the opening of new working places so as to compensate for the working places that were lost during the crisis period.
- The projected rates of growth for Bulgaria are more optimistic. According to the different projections they vary around 3 % for 2011; 4% for 2012 and above 5% after this period. The projected growth will stimulate employment growth as well as contribute to a decrease in the unemployment level. However, the degree to which the growth will reflect employment will depend on the readiness of the labour market to adapt to the demand. This means that the efficiency of the services, provided to the labour force with regard to education, training, job placement, etc, has to increase significantly. The activation of inactive people and the increase in their labour market competitiveness is another challenge in view of the labour market's response to the expected post-crisis economic growth.

In that sense, the accent should be placed on the acceleration of the structural reforms, which support growth that is accompanied by increasing employment, adequate utilization of the labour resources and a high level of labour productivity. That entails reforms in the real sector, which would redirect the labour force towards more highly productive lines of manufacturing, as well as reforms in the public sector and, above all, the educational, healthcare and services sectors, which would ensure the creation and development of a qualitative and active labour resource.

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<sup>66</sup> Annual Growth Survey: Advancing the EU's Comprehensive Response to the Crisis, Communication of the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 12.01.2011, p. 2.

The implementation of such structural reforms in post-crisis conditions is a serious challenge, which faces policy-makers. Success in that area, however, constitutes a guarantee for social prosperity. Hence, achieving post-crisis recovery through active structural adjustments should become a national cause that unifies the social interest and energy.

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